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FROM THE CONTENTS:—

JAPANESE EXPORTS AND HONGKONG MANUFACTURERS' POSITION

The advent of more normal trading between Japan and the world at large and the declared U.S. policy vis-a-vis Japan aiming at active support of her industrial potential and promotion of her export drive, has caused, since several weeks, some alarm among local manufacturers who seem to be excited about the prospects of Japan's re-entry into the field of legitimate commerce.

Some misguided propaganda has been started by several manufacturers who, on one hand, accuse Japanese exporters of "dumping practices" while, on the other, they should like to convince Hongkong Government to promote local industrialists by granting of loans and somehow effecting a decrease in raw material and living costs.

Expensive Japanese Goods.

As to the "dumping" accusation it is not in conformity with fact; on the contrary, Japanese exports in many foreign markets, particularly in the U.S., have been called excessively high priced and SCAP was repeatedly requested by leading American merchants to lower the export prices of Japanese products as otherwise their sales would prove very difficult.

In Hongkong, goods of Japanese origin have so far not been cheap but up to the level of comparative commodities imported from Europe or America.

Dumping means export sales under the cost price in the country of origin; as SCAP is in a supervisory position there certainly cannot be any question of dumping by Japan.

Non-competitive Manufacturers

The fact is that a number of local manufacturers are not competitive in a free market. They will have to modernise their plants, institute reforms in production and marketing, and lower sales prices by operating efficiently.

By advocating a protective tariff these manufacturers seem to overestimate the importance of the local market and to underestimate the interests and feelings of the local mercantile community which lives by free trading. No protectionist policy is feasible here.

The possibility of granting of low interest loans to industries and ample overdraft facilities are nowhere in the Far East easier and simpler than in Hongkong but inefficiently operated factories cannot expect loans from banks or other sources.

The lowering of living costs depends on factors which are outside the province of Hongkong Government, but nobody will deny that Government has made many determined and successful steps to bring prices down, keep them down and promote industrial and commercial activity as best as was possible for a government in a community which is dedicated to free enterprise and subject only to a minimum of controls, a state of affairs which is unparalleled elsewhere in the Far East or, for that matter, in most parts of the modern world.

Some manufacturers want to have it both ways; protective trade barriers, government controls, subsidies and indirect participation of government in business, while on the other hand free trade and free foreign exchange are demanded.

Sentimentalist Propaganda

We found occasion in our issue of May 12, page 458, to review the position of Japanese imported goods and the apprehensions of certain local manufacturers. It is unreasonable to single out Japanese competition as other nations' industrial potential and active export promotion has proved just as much if not far more "dangerous" to the survival of quite a few local manufacturers.

However, with respect to the Japanese there is still some capital to be made from playing on the political emotions of business men and their rather fast dying-out anti-Japanese bias.

Business men, on the whole, are never sentimentalists and therefore any propaganda based on the Japanese bogey cannot be successful.

Competition and Claim to Equality

Competition will continually be operative in a politically and economically appeased and normal world, the consuming public will obtain better goods for less money as production is diverted from war to peace uses and the process of selection in commercial and industrial life will once again come into its own.

The better fitted industries will survive, the manufacturers who cannot suppress their inferiority feelings, imagined or real, seem to be not well equipped for modern commerce. What they, and everybody else, can and should demand is equal terms and equal opportunities so that they can prove the claims to equality.

Necessity for Improvement

Many local manufacturers have improved their plants and mills to standards comparable to good average in advanced industrial nations. Much still remains to be done.

It is not solely a question of low price that induces the overseas customer to place his orders here or elsewhere. What is demanded is attractive design, reliability of the product, standardisation, convenient delivery and payment terms; faith must be kept with the customer and good will must be built up abroad.

No useful purpose will be served if some spokesmen of local weaving mills and sundry goods manufacturers raise objections to "dumping" of goods "made in Occupied Japan." But introspection might produce useful results.

REDEPLOYMENT IN HONGKONG INDUSTRY, AND ITS RELATION TO PRODUCTIVITY

In recent weeks, we have heard some misgivings from local industrialists on how Hong Kong production is going to meet the full blast of competition from overseas countries when the sellers' market in the Far East has given way to a buyers' market. As world shortages disappear, and as world demand becomes more satisfied, a larger number of manufactured goods will be held out to a more limited number of purchasers and there will be keen competition on the part of each manufacturer to induce such buyers as there are to purchase the particular brand which he is making.

Already some pessimism has been expressed among local textile manufacturers about the future when Japanese textiles, which are becoming available in larger quantities, start to pour into Far Eastern markets in ever increasing volume.

There have been suggestions of protection for the local market, but this would afford a very limited relief, because it is not in Hong Kong that local textile manufacturers will have to meet the main drive of Japanese and Chinese competition, but in overseas markets where all sellers will have to start from scratch.

Reduction of Production Costs & Redeployment

The most effective methods of meeting neighbouring competition is to cut costs of production to a level lower than that of our competitors. On some costs, for example depreciation on machinery and buildings, and costs of power, it may be difficult if not impossible to get an advantage over competitors, but among the effective methods of reducing costs of production are three which should commend themselves to all local manufacturers:-

i. More effort, that is working harder.

ii. Introducing better equipment.

iii. Making better use of the men and the machines we have.

It is with the third of these methods that this article is particularly concerned.

Redeployment is the rearrangement of men and machines already available so as to produce more goods in less time, and its application in Hong Kong is likely to produce earlier results in industry than either of the other two methods stated above.

The Meaning of Redeployment in Industry

In England, redeployment has been particularly effective in textiles, but most firms in most industries could achieve some lessening of the average cost per unit by improving their methods.

Redeployment means producing more with the same (or reduced) labour and equipment and thereby spreading the same, or a reduced, portion of primary costs (overheads) over a larger output.

Redeployment begins with managements answering these questions:—

i. Is the skill of the operative being used to the best advantage?

ii. Is the operative provided with the opportunity and incentive to work to the best of his capacity?

iii. Is the most effective use being made of the equipment available, with such improvements to it as can readily be made?

The Example of the Musgrave Mill

An interesting and effective example of redeployment was recently carried through in the Musgrave Mill in England. There were four elements in the plan which were:—

i. Duties were rearranged: for example cleaning of machines was transferred from machine operatives to cleaning teams.

ii. The machine lay-out was rearranged.

iii. Some machines were readjusted, for example larger cans were fitted to increase the volume of the material being processed.

iv. Increase in machines per operative.

When the experiment was completed the results were tabulised as follows:-

The Process	*Before*	*After*	*Time saved Per cent*
Cleaning the raw cotton (Carding)	84 machines 4 operatives (cleaning their own machines)	84 machines (readjusted) (2 operatives doing no machine cleaning)	42
Getting ready to comb it (Silver & ribbon lapping)	12 machines 6 operatives (cleaning etc.)	12 machines (re-aranged) 4 operatives (no cleaning)	34
Combing it	45 machines 8 operatives (cleaning etc.)	45 machines (re-adjusted) 3 operatives (no cleaning)	25
Stretching it (Draw frames)	15 machines 5 operatives (cleaning etc.)	15 machines (re-adjusted) 4 operatives (no cleaning)	32
Twisting it (Slubbing etc.)	9 machines 6 operatives (working individually)	6 machines (re-arranged) 6 operatives (in 2 teams)	22
Preparing for spinning (Jack frames)	12 machines 9 operatives (working individually, cleaning etc.)	10 machines 6 operatives (with wage bonus scheme helping each other, no cleaning)	22
Cleaning the machines	1 cleaner	6 cleaners (in teams)	—
Total workers	39	31	
Total operative hours per 100 lb.	10.48	7.58	28

Better Production & Earnings by Redeployment

Recently a business man called on the Imports and Exports Department and stated that he has been looking over a rubber footwear factory in Kowloon, which was producing an excellent article, but the price was too high to make it a profitable line in African markets. The factory was small and operating conditions were congested. He went on to say that given a free hand he could, by simply rearranging the machinery in the factory reduce labour costs by a third.

There is, probably, scope for redeployment in most of Hong Kong's factories. Redeployment is not perhaps the final answer to competition from the industrialists of other nations, but it has been found in practice that after redeployment, workers produce more and earn more, and that managements can reduce prices, increase output per unit of capital, and expand overseas sales.

This method which has been successfully used elsewhere could probably be copied to advantage in our local industries.

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(THIS ARTICLE IS PUBLISHED IN THE INTEREST OF HONGKONG'S INDUSTRY BY THE IMPORTS AND EXPORTS DEPARTMENT).

THE NATURAL RESOURCES OF HONGKONG

FISHERIES---AGRICULTURE---FORESTRY---MINING & MINERAL RESOURCES

Report by the Hongkong Government

MINING AND MINERAL RESOURCES

There are few places in the world comparable in area to Hong Kong (391 square miles) which have such a varied geological record. Igneous, sedimentary and metamorphic rocks are all represented, but it is the igneous rocks, ranging from granites to rhyolites, which are the most widespread.

A wide range of economic minerals has been formed. Not all have been located in sufficiently large deposits to be worth working but it is possible that modern prospecting methods may reveal valuable finds in the future. Unfortunately, much of the Colony is covered by a thick lateritic type of decomposed rock which effectively masks the solid geology below.

Kaolin, Lead, Iron and Wolfram

The principal minerals so far identified in the Colony are: kaolinite, argentiferous-galena, wolframite, molybdenite, garnet, pyrite, mica, magnetite, haematite, cassiterite, fluorspar and quartz. However, the chief minerals mined to date, either by modern European methods or traditional Chinese surface scratchings, are kaolin, lead, iron and wolfram.

Lead deposits are widely scattered throughout the Colony. The lead is usually associated with silver as argentiferous galena. There are fair deposits to be found at Silver Mine Bay, Lead Mine Pass and Lin Ma Hang.

The mines at Lin Ma Hang were easily the largest and most modern before the war began. They were forced to close down in 1940 when the Japanese sealed off deliveries to China. At one time they were producing roughly 250 tons of lead ore (concentrated) and 7,000 ounces of silver monthly. The Japanese opened the mine again during the occupation.

Iron is everywhere in evidence but the only deposit which so far has attracted a major commercial exploitation is the lenticular magnetite mass at Ma On Shan. Its production is regulated by its chief customer the Green Island Cement Company. Surface scratchings for ochre, an hydrated oxide of iron, are worked on and off. The ochre is used by small local paint companies.

Wolfram, which is loosely called tungsten, occurs in several places. It is mined officially and unofficially at Shing Mun, Castle Peak, Ho Chung and on Lantau Island. By far the largest workings are at Shing Mun where a European company has the lease. The Japanese kept up a steady production during the occupation. Today there are a hundred or so miners from these mines, which are temporarily closed, panning for placer wolfram in the bed of the Shing Mun River. Their output is presumably sold on the local market.

Kaolin, not excluding the great reserves of building stones and the sand and gravel deposits, is certainly the most valuable of the proved deposits in the Colony both in quantity and quality. It occurs everywhere in varying degrees of purity ranging from the best ball clay to the coarser varieties. Of the many deposits now being worked, the pit at Cha Kwo Ling is the most valuable and productive. Much of the clay from this pit is exported to Japan but some is used locally in the ceramic industry. Elsewhere other deposits are mined for the various brick, face powder, tooth powder and rubber companies.

Stone Quarries and Sands

There are stone quarries sited all round the coast. The ornamental grey Hong Kong granite is most usually worked for building stone.

Sands and gravels are available in large quantities mainly from the raised beaches along the coasts.

Mining Committee

During the year an Interim Mining Committee has been sitting to produce a Prospecting Licence and to revise the Colony's Mining Laws and Regulations. The issue of the Prospecting Licence should see an increased activity in local mining.

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FISHERIES

No Fisheries Department existed before the Japanese war. The fishing industry was under the control of groups of whole sale dealers called "laans" and most of the profits from the industry found their way into the pockets of these men and their subordinates.

The fisherman is at any time and in any place greatly dependent upon the season; in a good season he may be prosperous, in a bad one, destitute. It was to a large extent on this uncertainty and on the weaknesses of the local fisherfolk that the laans' control of the industry was based. During a good season money was earned only to be gambled away or spent freely; and when the hard times which were inevitable followed, the fisherman would find himself in need of funds. These the middle-man would be prepared to provide in the form of a loan—an unusual type of loan in as much as an agreement was seldom signed and interest was rarely charged, the only condition being that the fisherman's entire catch would be handed over to the middleman for marketing. Few of these loans were repaid, for it was to the middleman's advantage to retain his control over the fisherman's catch, out of which he could make a handsome profit for himself. As for the fisherman, although his standard of life was low, he could usually depend for an increase of the loan from the middleman.

The result, of course, upon the industry was the restriction of development as the fisherman was never in a position to better his condition or to experiment with new gear and methods.

Conditions after end of war

During the occupation, the industry came virtually to a standstill. Many of the larger vessels left Hong Kong for the duration of the war and others took to trading. When the Japanese surrender took place the state of the industry was deplorable. Few junks were seaworthy, nearly all the gear needed a complete overhaul and the fisherman and his family were dressed in rags and half-starved.

A survey carried out in September, 1945, showed that there were only 26,000 fisherfolk in the Colony as compared with 77,451 in 1938, and that many of these were without boats or means of livelihood.

The time for active reform was opportune, and fortunately a scheme for the fishing industry had been worked out in Stanley Internment Camp. The first step was the granting of a rehabilitation loan of $100,000 to the fishermen. This loan was distributed at the rate of $4 a head, irrespective of age and sex. At the same time, every effort was made to supply the fishermen with salt, rice, kerosene and other essential commodities at low prices. These initial gestures had the effect of encouraging fisherfolk who had left the Colony during the occupation to return with their junks at an early date.

Rehabilitation and Planning for Future

The plan was based on the establishment of a Fisheries Department to be financed by the Government, and a Fisheries Co-operative designed finally to be self-supporting, but for the time being under the guidance and direction of the Fisheries Department. The primary object of the new organisation was to ensure that the fisherman received a fair price for his fish and that the profits went to him, the producer, rather than to the middleman.

To this end, a Wholesale Fish Market was established at Kennedy Town on the Island, in which all marine fish,

whether fresh or salted, must be sold. In the four main fishing villages, organisations called "fisheries syndicates" were established. The primary function of these syndicates is the collection of fish from fishermen and its transportation to market, but they also discharge other functions such as the sale of rice, flour, salt, ice, sugar, ramie and tung oil at low prices to the fisherfolk. They also act as centres for social welfare and education where advice can be given to the fisherman on the numerous problems with which he is confronted.

As the scheme developed, a further market was established at Taipo and the number of syndicates increased so as to serve the fishermen in the northern part of the New Territories.

Wholesale Markets and Public Fish Auctions

In the Wholesale Markets established under the scheme, sale is by public auction and not, as hitherto, by private or secret bid. Any person who has the backing of a reputable firm may be registered as a buyer on the market. Registered buyers are allowed 48 hours credit and buyers who are not registered may bid at the auction provided that they first pay a deposit. The fisherman is paid the whole amount bid for his fish immediately after the auction, less a percentage commission which is deducted to cover the running expenses of the market organisation. These expenses include the collection of the fish, transport to the market, handling and auctioning of fish at the market, and transport to the buyers' place of business.

A reserve fund created from this commission enabled the organisation to build a small market and premises at Taipo and to purchase a fleet of 12 lorries.

Government Loans and Revolving Fund

Although the arrangements permitted the fisherman to obtain a good price for his fish and to avoid recourse to the middleman, they did not include any arrangement to replace the laan as a source of capital for the fisherman during hard times. This state of affairs was soon remedied, and in 1946 the Government lent $250,000 to the Marketing Scheme for the purpose of financing loans to fishermen for the purpose of repairing boats and gear during the off-season. A further loan of $20,000 was made in the autumn of 1947, to enable the Yellow Croaker fishermen at Tai O, who had experienced a very poor season, to prepare for the new season which was due to start in October. The total loan is used as a revolving fund, $524,-160 having so far been lent and $273,-589 repaid. A small rate of interest is charged on the loans and repayment is made gradually by means of an increased percentage commission on the sale of fish.

To encourage fishermen to save money, a scheme is also in operation whereby "returnable commission" of 2% is deducted from sales of all fish and banked in the name of the fisherman. These deposits are returned together with 2% interest twice yearly at the seasons when fishermen are most in need of money, namely, during the slack season and just before Chinese New Year.

The scope of the scheme was further extended during the summer of 1947, by the addition of a clause in the agreement with those fishermen who borrow money from the fisheries, that during their eight months season they shall save an additional 3%.

Exclusion of Middlemen and Co-operatives

There still exist middlemen in the fishing community, usually known as "small laans" which organise the collection of fish from the fishermen and sell it on their behalf in the Wholesale Market. They also undertake any necessary processing such as salting and drying which is required before the fish can be placed on the market. For these services they charge a small percentage commission, usually about 3%. In some cases the charge is reasonable, and the dealer honest, and in these cases, a useful service to the fishermen is performed by them. But this is not so in all instances and many fishermen have begun to realise that in the new system which has been adopted there is no need for the old type of fish collecting unit.

They are therefore forming, among themselves, small co-operative associations to replace these middlemen, and already each main fishing village has at least one of these units. In one village where dealers' profits have been unusually high, a small consumers' co-operative association has also been formed.

During 1947, the small co-operative associations combined to form a federation in order that fishermen of the different villages could mix together and exchange information. One of the outcomes of the formation of this federation is a monthly news service letter which gives, inter alia, details of quantities of fish caught in the various fishing areas by members of the association.

Growing Interest for Education

One of the most remarkable features of the post-war fishing industry in Hong Kong is the ardent desire of the fisherfolk for education. Very shortly after the scheme was set in motion, urgent requests for the opening of schools were made in every village. Every effort has been made to meet the demand; schools have been opened in all the main fishing villages, and writing classes and discussion groups are held nightly in each district syndicate.

The aptitude and intelligence of the young fisherfolk are most encouraging, and in the spring of 1947, a Fisheries Senior Class began at Aberdeen where Fisheries, Navigation, Meteorology and other related subjects were added to the normal syllabus. Entrance to the class was by competitive examination and the candidates were from villages all over the New Territories.

Impromptu classes are also held frequently aboard the fisheries launches that collect fish from the villages and bring it to the market for sale. Unfortunately, the fishing season of 1947 has been a bad one and this has adversely affected the attendance at fisheries schools.

Mechanisation in Fishing and Employment of Trawlers with Engines

The opinion was expressed by a leading British fisheries expert who visited the Colony during 1947, that progress in the local fishing industry was only possible through mechanisation. The first step in this direction was taken when two junk trawlers were equipped with diesel engines.

The advantages are obvious. No longer dependent upon the wind, the junks spend less time in reaching the fishing areas and are able to trawl both up and down wind; but it has not yet been possible to assess with any degree of accuracy the economic effect upon the fishing.

The present cost of mechanising a fishing junk is high, and unless the returns can be substantially increased the advisability of mechanising a junk will remain in doubt.

The trawling season of 1947 was a bad one and comparison with previous years is therefore liable to be misleading; it should be left to another year to pronounce a verdict on this question.

The effect of the mechanisation of the fleet on large numbers of the present floating population has not escaped the attention of the Fisheries Department and investigations are now being made as to the possibility of finding alternative employment in subsidiary industries should mechanisation create an unemployment problem among fishermen.

Piracy and Typhoons

Two abnormal circumstances seriously affected certain sections of the local fishing community. Piracy in the Mirs Bay area reached such a pitch at one time that many fishermen, even at the height of the season, preferred to "stay in harbour and starve rather than go out to sea and be killed or robbed."

Strenuous efforts on the part of the Police caused an improvement in these conditions, and towards the end of the year the situation was under control.

The other unfortunate circumstance was a very severe storm early in October in which were involved a large number of trawlers and long liners which were fishing to the east of the Colony. Unfortunately, a threatened typhoon prevented assistance

from being sent to these vessels, five of which are known to have been sunk and 20 others seriously damaged.

This occurrence revived consideration of a plan originally made before the Japanese war for the installation of wireless sets in selected fishing vessels in order that typhoon and storm warnings may reach them.

Sales Statistics and Prices

The following are the figures for the weights and values of fresh and salt fish sold in the Wholesale Markets at Taipo and Kenndy Town.

	Fresh Fish	
	Piculs	$
1946	32,000	3,120,457
1947	44,418	3,355,512
	Salt/Dried Fish	
	Piculs	$
1946	211,558	18,476,432
1947	189,273	11,166,577
	Total	
	Piculs	$
1946	243,558	21,596,889
1947	233,691	14,522,089

Prices of fresh and salt fish in 1947 were lower than in 1946: fresh fish fetched on the average $75 a picul as compared with $97 and salt or dried fish $59 instead of $87.

Before the war the proportion of salt to fresh fish sold in the market was 3 to 2. After the war the remarkable proportion of 8 to 1 was achieved.

There are two main reasons for this trend. In the first place, no Japanese trawlers are now bringing fresh fish into the Colony. Secondly, the number of long liners—these are the vessels that bring in most of the fresh fish to the Colony—is now only one third as great as before the war.

A further feature limiting the landings of fresh fish is the lack of adequate cold storage facilities in the markets. Rather than take the chance of their fish spoiling if the fresh fish market is bad, many fishermen prefer to salt their catch. During 1947, the ratio of salt to fresh fish sold in the market was approximately 5 to 1. These figures for fresh fish are correct only in so far as they show the amount handled through the markets, whereas it is known that in 1947 a considerable amount was sold in the "free" market, that is run illegally by the former fresh fish laans who are still able to exercise influence to force fishermen who owe them money to sell their catch through them.

Salt Dried Fish Exports

Although the amount of fresh fish landed scarcely met the needs of the local population, there was a substantial exportable surplus of salt dried fish. Altogether, 50% of the salt dried fish sold in the markets was exported and the average value of monthly exports in 1947. although much less than in 1946, was over $600,000.

Unstable conditions in China, and the rapid fall in the Chinese National Currency during the winter of 1946/47 had their effect on the local export of fish as much as in other forms of trade, and inevitably the time came when, instead of the greater part of the exports going to China, most of the fish exported from the Colony was going to Chinese populations in America, Australia, Canada, the Philippines and Malaya.

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AGRICULTURE

Most of the 391 square miles within the boundaries of the Colony consists of mountains and hills, the more gradual slopes being clothed with grass, ferns and sparse pine-wood, the rocky ravines with evergreen trees and dense thorny shrubs. None of this land is suitable for cultivation. The level land includes the alluvial plain north of the mountain of Taimoshan but much of this, bordering Deep Bay, is mangrove swamp and salt marsh. The more gentle slopes of the valleys are intensively cultivated and the lower shoulders of the hills have also been terraced where practicable and where water is available for irrigation. The terraces and irrigation channels may in many cases date back many years; some fell into disuse during the Japanese occupation but have since been taken back into cultivation.

Before the war about one-tenth of the Colony's population lived on the land. The Chinese farmer of the New Territories is primarily a rice producer; any other crop that may be grown is subsidiary to rice. Rice from the Sha Tin area is of a very high quality, and is much too valuable for the farmers and villagers to eat; they are content with cheaper rices of poorer quality imported from Indo-China, Burma and Siam.

In the time of the Manchus, Sha Tin rice was sent to the Emperor, so fine was the quality; in the years before the war it used to find its way to New York.

Now that the export of rice is prohibited the local produce is consumed in the Colony; most finds its way to the city where it is bought at a high price in the open market by the more wealthy Chinese.

Many farmers do not benefit greatly by this enhanced value of their produce because, as in so many places in the East. a large proportion of the wealth of the land goes to landlords, who may or may not live in the vicinity, and the amount of paddy handed over as interest on debts. perhaps, of many years' standing, is not inconsiderable.

High Quality Rice Crops

Except for the salt lands, which yield but one crop, the paddy fields of the Territories produce two crops a year. The straw is short, and the grains are small and narrow and of an excellent quality. It is estimated that some 20,000 short tons of milled rice are produced annually, but this quantity is sufficient to supply the Colony's needs for only a very few weeks. It is believed that the 1947 harvest, both of first and second crops of rice, was as high as ever in the history of the Colony.

The farmers save their own seed from year to year both for the first and second sowings, for different kinds of seed are used for each sowing. Annually they select their best paddy for seed, and a consequence of this selection is that from district to district, even from farm to farm, the varieties grown differ noticeably from one another. In July and again in October-November when the farmers spread out their paddy to dry on the smooth tarred surface of the roads, the different colours and shapes of the varieties can be noticed. There is scope for scientific study of these varieties.

Fertility and Fertilizers

The fertilizer most commonly used for the rice field is peanut-cake, mixed perhaps with ashes from burnt ricehusk or from the home. Nightsoil and chemical fertilizers are rarely used for this crop, nor is lime ever employed.

There is much research to be done on the most economic fertilizers for the ricefields, and the Agricultural Department has already carried out some experiments with interesting and somewhat unexpected results. Peanut-cake, the residue from the peanut after the oil has been expressed, is rich in proteins which gradually decompose when the cake is soaked in water, yielding available nitrogen, phosphorus and sulphur; but it also is a valuable source of vitamins of the B complex which have an effect, at present largely unexplained, on the vigour of growth of roots. There is much to be said, therefore, for the traditional use of this valuable fertilizer. But the last word has not been said.

The main reason why the remarkably infertile soil of the New Territories produces such excellent crops of rice is that with the first heavy rains of summer thousands of tons of worm-casts which have accumulated on the mountain slopes since the end of the previous rainy seasons are washed down to the ricefields. Considerable areas of land are almost completely covered with these worm-casts which are often inches high. In this manner very fine silt, enriched with salts of potassium and nitrogen, is deposited annually in the ricefields. Another factor which affects the fertility of these fields is the annual period of winter fallow which is the normal practice, but unfortunately this practice is being upset by the needs of the city for vegetables, as will be discussed presently.

Sugarcane, Peanut, Vegetables, Fruits

On land unsuited to rice, other crops may be grown including sugar-cane and peanuts. Vegetables are also cultivated, sparingly in the summer for the needs of the pigs and of the family, but more plentifully in winter. Fruit trees are grown not so much by the farmer as by the more wealthy landlord or returned emigrant. These include lichee, lungan, wong pei, carambola, Chinese olive, loquat and citrous fruits such as oranges, lemons and pomelos. The lichees are of excellent quality but lichee and lungan

timber is valuable, being used in junk building, and many of these slow-growing trees were cut down during the Japanese occupation. Lemons and grape-fruit do well and their cultivation might be extended with advantage. The local pomelo is of poor quality but the trees are worth growing if only for the fragrance of their large flowers. There is considerable scope for scientific investigation in this field.

Next in importance to rice as a means of sustenance to the poor Chinese come vegetables, and this relationship is reflected in the activities of the farmer. Twenty years ago vegetable production in the New Territories was on a small scale. The New Territories Agricultural Association was formed in 1929 and as one of its principal activities it organized a show held annually until the war. At this show not only were there exhibits of paddy and pine seeds but also more bulky and exciting displays of vegetables, fruits and livestock. A Chinese theatrical performance and a troupe of Chinese acrobats helped to attract the public who flocked there in their hundreds. This show served to stimulate vegetable production.

Prior to the war it was estimated that approximately one-fifth only of the vegetables consumed in the cities of Kowloon and Hong Kong was grown in the Territories. It has been the primary object of the Agricultural Department to increase this fraction very considerably; some of the methods adopted are described below. That these methods have not been without success may be judged from the fact that even though the population of the Colony is vastly greater than in the autumn of 1937—when the war between China and Japan first affected Hong Kong and refugees poured across the border—the fraction of home-grown vegetables is now probably nearer half of the total consumption.

THE AGRICULTURE DEPARTMENT

Before the war there was no agricultural department, though plans had been prepared in 1941 for such a venture. With the termination of hostilities, and the re-occupation of the Colony by the British, an unique opportunity was afforded for starting an agricultural department on a basis very different from that on which such departments have been built elsewhere.

In most Colonies cash crops, *e.g.* cotton, tea, sisal and rubber, grown in large foreign-owned estates or by native enterprise, are the dominant feature of agriculture, and the primary policy of the department is to assist their production in order to augment the revenue of the Colony and to provide the peasant with money for the purchase of consumer goods.

In this Colony the position is different. There are no large estates financed by foreign capital, except the Dairy Farm on the Island, and the bulk of the arable land is devoted to food crops, namely rice and vegetables.

In the life of the poor Chinese, comprising the bulk of the population, the first factor is rice, which is mainly imported; the second firewood, again almost entirely imported; and the third vegetables. Before the war probably four-fifths of the vegetables consumed in the Colony were imported.

Those responsible for planning the new department considered that if the first object of the department were to increase vegetable production both in quantity and quality, to facilitate its collection, marketing and sale and to keep the price low, then the people would benefit greatly. This would be reflected in better physique, a smaller incidence of malnutritional diseases, and in greater contentment of both adults and children.

The problem was simple. It consisted of supplying an efficient market service, of augmenting the supply of fertilizer, and of supplying seeds of proved strains of vegetables. Parallel to these activities it was necessary that there should be established seed trial and demonstration grounds and the means of close and friendly contact with the villagers.

As pig-raising is complementary to vegetable production, a piggery must be started with good strains of cross-bred boars on stud, where experiments could be carried out in breeding cross-bred pork pigs acceptable to the Chinese farmer.

Wholesale Vegetable Market

A Wholesale Vegetable Market was opened in Kowloon in mid-September, 1947. Its success has been due in no small measure to the provision of adequate transport, and prompt payment to the farmer. A summary of the sales for 1947 is given in the table below. At the end of the year three-quarters or more of the vegetables eaten at that time in Kowloon were grown in the New Territories.

	Local	*Imported*	*Total*
Weight			
Piculs	326,374	128,666	455,040
Tons	19,380	7,640	27,020
Value	$5,269,385	$2,079,305	$7,348,690

Fertilizers, Construction of Fertilizer Factory, Foreign Seeds

The Japanese built at Castle Peak a battery of concrete tanks for the maturation of nightsoil from the urban area for use as fertilizer; these tanks were used for a time but latterly fell into disuse. These were put into commission again in 1946 and during 1947 more than 54,000 piculs (more than 3,000 tons) of night-soil, matured for three weeks in order to destroy pathogenic bacteria, were sold to farmers in different parts of the Territories.

A scheme for the construction of a large fertilizer factory to use, when completed, the entire output of night-soil of the Colony, is among the project being considered in connection with the Colonial Development and Welfare Fund. Large quantities of ammonium sulphate and of peanut-cake were also distributed through the marketing organisation.

Seeds of varieties of foreign vegetables of proved worth were purchased in bulk in England and U.S. and, in thousands of small packets, were sold at cheap rates to Hong Kong farmers.

Sheung Shui Vegetable Trial Station

Before the war there was a small station at Sheung Shui of 4¾ acres devoted to rice, vegetables, a few fruit trees, tree seedings for roadside planting and tung oil trees. In the summer of 1946, this area, which lay derelict during the Japanese occupation, was reconditioned, and about two acres set aside for intensive vegetable trials.

During 1946 and 1947 several hundred varieties of European and Chinese vegetables were grown under standard conditions of spacing, fertilizer, etc. The crops included tomato, cabbage, cauliflower, lettuce, root crops, sunflowers and lupins in addition to leguminous cover crops, sweet potatoes, peanuts and sesame.

A great quantity of data has been collected and it is now known which varieties of many important crops are most suited to the Colony. Seeds have been received from England, New Zealand, Southern Rhodesia, U.S. Malaya and elsewhere. About 50 varieties of tomato were tested and over 8,000 lbs. of fruit harvested. The produce has been sold in the wholesale market or at wholesale prices to visitors.

Plants of the four best local varieties of banana have been set out and have fruited; an area has also been devoted to papaya.

The demonstration plots have been visited by many people including farmer and school children, and there is no doubt that they have proved a valuable object lesson.

Sheung Shui Pig Station

A census carried out just before the war showed that there were about 40,000 pigs in the New Territories; one carried out immediately after the war showed but 8,000 including only nine boars.

In 1946 the Agricultural Department obtained the use of Sir Robert Ho Tung's piggery at Sheung Shui. Repairs were effected and a stud established with crossbred boars obtained from the Dairy Farm. A small fee was charged to cover transport of the sow on the main road to the station and back and service by a boar selected by the owner of the sow.

In 1947, monthly services varied between 40 in January and two in October. During the year 2,233 piglets were born to 212 sows served by the station's boars, an average of more than ten to a litter. Of these 47% were male and 52.9% female.

There are now more and better boars in the Territories and the primary function of the station has been fulfilled. Breeding experiments are now being carried out on a small scale.

Kam Tin Experimental Station

Situated in the heart of the New Territories in the centre of Pat Heung plain, north of Taimoshan, is an area

which was purchased and levelled in 1936 to serve as an airfield. It consists of 277 acres with a regular slope of 1/60 from east to west. This area was never used as an airfield; it is too small for modern aircraft and in a pocket in the hills. Early in 1947 it was taken over by the Agricultural Department to be developed as an experimental and demonstration station.

Much of the ground was in poor condition, bulldozers having removed the silt from the top and exposed the gravels which lay beneath. During the war a small part was cultivated by landless people or by neighbouring farmers, but it was difficult for them to obtain adequate water supplies and the soil was very infertile.

The Department of Agriculture could only use a small portion immediately, so arrangements were made to let out land to villagers on a year's tenancy at the extremely low rental of six catties of paddy per mow per crop (4.8 mow equal one acre). Early activities of the Department included the building of a temporary dam and the digging and cleaning of water channels; in consequence, three-quarters of the area was put under rice for the second crop. Assistance was also given to the farmer by providing cheap fertilizer.

During the year the Department planted areas with elephant grass, Guinea grass, Tientsin green bean, sweet potato, papaya, and banana, and several acres were devoted to controlled experiments with local and imported rices using different quantities of fertilizers and different mixtures.

A fish pond was constructed and stocked with nearly 2,000 carp of several species; successful experiments were also tried of growing common carp in the paddyfields together with the growing rice.

In the autumn, an area was set aside for vegetable cultivation and many thousands of cabbages, cauliflower, lettuce, etc. of selected varieties were grown. More than 3,000 tomato plants were planted out and a heavy crop of fruit has been borne.

On one occasion in December, more than 130 farmers from different parts of the Territories visited the station where the nurseries, the use of fertilizers, the vegetable plots and fish ponds were demonstrated, and seedlings and sample fertilizer mixtures distributed. Many farmers took notes of what interested them most. Several thousands of tomato and other seedlings of selected kinds have been distributed to school children and others throughout the Colony.

* * * *

FORESTRY

Afforestation of the Colony's hillsides and care for the few trees remaining after the Japanese occupation are among the responsibilities of the Forestry Department. Before the war forestry and the supervision of the Botanical Gardens and Government grounds fell within the sphere of a Botanical and Forestry Department, but after the liberation of Hong Kong the opportunity was taken to form two separate departments.

From 1937 onwards, severe inroads had been made into the Colony's wood reserves, at first by illicit tree-cutting activities on the part of the swarms of refugees who fled into the Colony from the Japanese occupation of Canton, later by the official felling of trees to make good the deficiency in supplies of firewood caused by the Sino-Japanese war, and finally by the Japanese to provide fuel for the power stations.

The sum result was that the Colony's hillsides were almost entirely denuded of trees and the catchment areas exposed to the evils of soil erosion.

Post-war Achievements of Forestry Department

Consequently a great part of the Department's activities in the past two years has been concentrated upon the re-afforestation of these areas. Other activities have included the clearance of brushwood in places where mosquitoes might otherwise breed, the removal of vegetation bordering and encroaching on the main roads, and the planting of roadside trees both on the Island and in Kowloon.

In accordance with the policy of giving priority to the re-afforestation of catchment areas, extensive planting was carried out around Kowloon and Shing Mun reservoirs. At Shing Mun a nursery was established which now contains over 15,000 seedlings of the paper-bark tree for planting in the resumed padi fields around the reservoir. This tree is extremely tolerant and grows best on waterlogged soil. There is further the advantage that no part of it is wasted; cajeput oil, used for liniments, is obtained from its leaves, its bark is used for caulking and its stem for poles. A similar nursery was planted at Fanling to provide tree seedlings for the denuded hills in that area.

Tung-oil Plantation

During the course of the year the first tung-oil plantation on the hillsides was made, when about fifty acres between Kowloon Reservoir and the 7½ milestone on the Taipo Road were planted with *Aleurites Montana*. An experimental sowing of seeds direct into the pits proved quite successful.

New Tree Seedling System

An entirely new method of raising tree seedlings was introduced to the Colony during the year. In this method the seedlings, after being raised to about ¼" in height in seed boxes, are transferred to small metal tubes packed with earth and about 8" high, which are fastened by a clip. They remain in these tubes for six to eight months by which time they are ready for planting on the hillsides. During this period the seedlings have grown to about two to three feet in height and have effectively bound the earth with which the tubes are filled. On planting, the tube is unclipped and the seedling allowed to drop into a small hole made by a pick.

The advantages of the system lie not only in the rapidity with which tubing can be done (one man can tube about 300 seedlings per day) but also in the ease with which the seedlings can be transported for planting with the minimum disturbance of the roots. By the end of the year there were 90,000 seedlings tubed which will be ready for planting from March, 1948, onwards.

During 1947, for the first time, roadside trees were planted along many of the thoroughfares of Kowloon, but the absence of tree guards and the wilful damage caused by passers-by in breaking off the leaves and uprooting the stakes caused many of the trees to fail. It is intended to presevere in 1948 with larger trees which will not be so easily damages. Roadside planting on the Island was carried out with success.

Hill fires, the result of a period of drought, occurred very frequently during the latter part of the year, especially on the hills behind Kowloon. In two instances these fires entered areas where pine seedlings had been broadcast earlier in the year, but no extensive damage was caused. Up to the end of the year, 27 fires, principally on the mainland, had been extinguished by foresters.

ADMINISTRATIVE CHANGES IN BRITISH SOUTH EAST ASIA

COMBINATION OF THE FORMER ORGANISATIONS OF GOVERNOR-GENERAL OF MALAYA AND SPECIAL COMMISSIONER IN SOUTH EAST ASIA INTO THE NEW COMMISSIONER-GENERAL FOR THE U.K. IN SOUTH EAST ASIA

The appointments of Governor-General, Malaya and Special Commissioner in South East Asia had their origin in the need for continuing in peacetime some of the machinery for co-ordination of policy and administration which had been provided at the end of the war with Japan and during the months of military administration exercised by the Supreme Allied Command, South East Asia.

By the end of 1947 some of the problems which had called the two organisations into being had become less grave. Organs of the United Nations such as the Economic Commission for Asia and the Far East, the World Health Organisation and the Food and Agriculture Organisation had either started, or were considering starting work in South East Asia and the Far East. There was a prospect of peace in the Netherlands East Indies. Agreement had been reached on the plan for constituting the Federation of Malaya, and on the reconstitution of the legisla-

ture in Singapore. The new arrangements in respect of Sarawak and North Borneo had been determined.

Establishment of Commissioner-General for the U.K. in South East Asia

In the circumstances, the British Government came to the decision that, without diminishing in any way the scope of the two Organisations, it would be possible to place them under one head, and to combine to a certain extent their clerical and administrative staffs. Such an amalgamation avoids overlapping, and there might be a saving to the taxpayer both in Britain and in the British territories in South East Asia.

Accordingly, on Lord Kilearn's retirement, the supervision of the two organisations has been entrusted as from the 1st May to Mr. Malcolm MacDonald, and the extension of his responsibilities has been marked by giving him the title of "Commissioner-General for the U.K. in South East Asia." It should be emphasised, however, that the work of each of the two organisations over which he presides continues without change

Functions of the New Authority

Carrying on the functions which the Governor-General had performed, the Commissioner-General will exercise authority as the principal representative of the King in the following territories:—

(1) The Federation of Malaya.
(2) The Colonies of Singapore, Sarawak and North Borneo.
(3) The protected State of Brunei.

In this capacity he will correspond with the Secretary of State for the Colonies and be subject to his directions. He will have power to give to any Governor (or to the High Commissioner for the Federation of Malaya or to the Governor of Sarawak as High Commissioner for Brunei) such directions as may be necessary, either in discharge of his responsibility for co-ordinating in his area of authority, or in order to give effect to the policy of His Majesty's Government in the U.K. in any matter. He will not, however, exercise direct administrative functions in any of the territories, nor will he give directions or advice to subordinate officers of the various governments. He is empowered to summon conferences of Governors from time to time, and it is expected that much of his co-ordinating work will be done through these conference.

Co-ordination between the Governments in the Commissioner-General's area of authority will be required in such matters as the organisation of defence, the development of sea and air communications, planning to ensure that the more backward parts of the territories share equally in programmes for social economic and political advancement, and the organisation of many forms of research.

On these and other matters, where they are of interest to two or more territories, or calling for joint action or a common policy, the Commissioner-General will serve as the intermediary between the Government of his area of authority and the Secretary of State for the Colonies. But the responsibility of the Governors (or High Commissioners) for their respective territories will continue unchanged, and it will always be open to a Governor or High Commissioner to take up direct with the Secretary of State any matter (whether it involves co-ordination of policy or not) if he considers it in the public interest to do so.

The office of Commissioner-General in no way derogates from the powers or responsibilities of Governors. It is rather an attempt to ensure that the Secretary of State for the Colonies is able to consider matters which affect the whole of the British territories in South East Asia, and to make possible the effective planning and execution of a common policy where the interests of the territories will be best served by this means.

Conduct of Foreign Affairs in the Far East

In carrying on Lord Killearn's organisation, and as charged with the duties which were his, the Commissioner-General will correspond with the Secretary of State for Foreign Affairs and be subject to his direction. He will be responsible for advising His Majesty's Government in the U.K. on general problems affecting the conduct of foreign affairs within an area which includes, as well as the British territories enumerated above, Burma, Siam French Indo-China and the Netherlands East Indies.

As charged with a special responsibility in the matter of food supplies the Commissioner-General will continue to maintain the same liaison which the Special Commissioner maintained with the Governments of India, Pakistan, Ceylon, Hong Kong, Australia and New Zealand, and with any international organisations dealing with economic affairs in the Far East, as well as with the other countries in his area of responsibility. He will therefore make such arrangements as may seem appropriate for the co-ordination or administration of all matters of vital economic concern to the territories within his sphere: in particular, he will continue to study and offer advice in matters as the control of imports and exports nutritional problems, rationing and other measures of control of food consumption, the use of transport and shipping and will stimulate the local production, procurement and distribution of such essential commodities as coal, timber, livestock, edible oils, rice and other staple foodstuffs.

In this connection, the Commissioner-General will collect and collate information on trade, economic tendencies and development measures, in all territories within his sphere.

Control and Allocation of Essential Foodstuffs

It will be the duty of the Commissioner-General to keep the food situation in South East Asia under constant review, and to endeavour to secure agreement between all the authorities concerned, both British and foreign, on the adoption of measures designed to alleviate the food shortage and to ensure that the availability of foodstuffs, especially rice, is phased according to the productive capacity and harvests of the various territories.

In this connection the Commissioner-General will at once bring to the notice of His Majesty's Government in the U.K. any requirements of the campaign for increasing supplies of foodstuffs which cannot be met from the resources of the area itself.

The actual allocation of coal will continue to be arranged by the London Coal Committee and will not be one of his responsibilities.

Joint Civil & Military Defence Committee

The Commissioner-General will preside at the meetings of the joint civil and military defence Committee which meets in Singapore, at which the Governor-General has hitherto presided.

CHINESE OVERSEAS FAMILY REMITTANCES

In spite of the efforts by the Nanking authorities to obscure the picture of overseas Chinese family remittances, and their refusal to announce periodically exact figures of foreign exchange receipts derived from inward remittances coming from Chinese residing in the U.S., Far Eastern countries and elsewhere (for the support of their families in China and other purposes), the release of some data by Chinese banks and the estimates by foreign governments and by Chinese officials and bankers supply sufficient material to arrive at proper conclusions.

The question of overseas remittances has always been regarded as important by the Chinese authorities as the total of these inward remittances helped to adjust the balance of China's international payments.

Unrealistic Chinese Exchange Rates

In the postwar years the Nanking Treasury embarked on a policy of heavy undervaluation of foreign currencies and established, through the Central Bank of China, arbitrary and unrealistic foreign exchange rates which caused much harm to the economy of China. One adverse effect of this policy was also to discourage the flow of Chinese family remittances through Chinese state or government appointed banks to the remittees in China.

Overseas remitters used increasingly the facilities of Hongkong and of commercial and native banks which served the clients to their best interest; the remittees thus obained the full value of the foreign currency remittances.

However, a large number of inexperienced or otherwise hapless remitters were losing heavily as they directed their drafts through official or state controlled banks.

Remittances in 1947

In the year 1947 the total amount of foreign exchange received by the Treasury at Nanking from overseas family remittances has never been officially disclosed in keeping with the policy of treating China's public finances as well as its currency circulation as top secrets.

In our issue of March 10 the situation was reviewed at length and then we estimated that total Nanking receipts ex overseas family remittances in 1947 amounted to a value of US$ 15 million (inward remittances from every part of the world where overseas Chinese effected remittances to China).

Recently, the Bank of China, being the major state bank entrusted with and handling overseas Chinese remittances, disclosed the receipts from this source for 1947. The figures were only given in Chinese dollars as if receipts were secured in Chinese dollars; it is logical that remittances obtained from abroad should be published in the currency of the country from where drafts were dispatched.

Following are the figures of the Bank of China and the US$ equivalents which we calculated on the basis of the 1947 monthly official rates of exchange as announced periodically by Central Bank of China.

Overseas Chinese family remittances obtained by Bank of China in 1947:—

Month	*CN$ millions*	*US$*
January	1,678	497,929
February	8,275	1,640,932
March	20,748	1,700,713
April	20,271	1,661,614
May	10,536	863,636
June	3,843	315,010
July	1,737	142,382
August	8,928	731,828
Sept.	21,235	506,454
Oct.	34,616	638,319
Nov.	17,231	272,939
Dec.	40,904	523,571
Total	190,008	9,495,327

The surprising thing is that there are still so many overseas Chinese who send money home via the official way although they know that only about 50% of the value of their remittances is eventually reaching their dependents.

The ups and downs of the remittances figures—in terms of US$—also reveal that inward remittances are on the increase if the gap between the artificial, socalled open market rate of Central Bank of China and the black market exchange rate narrows, while remittances peter out when the gap widens and the socalled official rate limps very far behind the actual or black market rate.

The Bank of China is usually handling some 60% of inward remittances which is due to the large number of branches this state bank maintains abroad and its privileged position as regards operation abroad.

Other Chinese state banks and commercial banks, including the Kwangtung Provincial Bank, may have handled in 1947 together some US$ 6 to 6½ million. The grand total received by the Nanking Treasury through the state banks and other controlled (appointed) banks may have come up to US$ 15 to 16 million for the year 1947.

A reliable Chinese financial source, however, estimates that total foreign exchange receipts by Nanking from overseas Chinese remitters was only US$ 12½ million.

U.S. Outward Remittances to Hongkong and China

As regards United States outward remittances to China and Hongkong in 1947, a total of US$ 24.1 million were officially recorded in Washington. This figure is too low; the U.S. Government cannot well record all outward remittances to China and Hongkong on account of the widespread practice, which still is growing, to dispatch by mail, or carry on the person out of the U.S., drafts drawn by American banks on New York (managers' cheques in most cases).

This practice has been necessitated —apart from the Nanking exchange policy—by the exchange regulations in force in Hongkong which oblige every local remittee to sell to local banks all US$ drafts when made payable in Hongkong at the official exchange rate (some 30% lower than the unofficial rate).

However, it still happens frequently that banks in the U.S. make drafts payable in Hongkong thus reducing the Hongkong dollar yield of the beneficiary of the remittance and simultaneously increasing the holdings of Hongkong Exchange Control.

The U.S. Government is also hampered in its compilation of exact statistics as to outward remittances to Hongkong and China by the fact that much commercial cargo is exported from the U.S. against no value received; the remittees in Hongkong and China obtain these goods in lieu of US$ drafts. Technically, the export bills of such U.S. commodities are to be classified as outward remittances from the U.S.

Low Exchange Rate Policy in China

It appears that the Chinese authorities in spite of heckling and protests are sticking to their foreign exchange policy and will not increase the exchange rate of CN$ in terms of foreign currencies in line with the constant and alarming depreciation of the legal tender of Nanking. Ergo, overseas Chinese remitters must take this policy into consideration when preparing for the dispatch of money to their dependents and relatives in China.

Chinese Remittances from Singapore

Chinese residents and transients in Singapore and the Federation of Malaya are regularly sending money home.

The figures for April 1948 were as follow:—from Singapore Malayan $755,986, and from the Federation $358,987, making a total of Mal. $1,014,973 for April.

EXCHANGE & FINANCIAL MARKETS

GOLD TRANSACTIONS

Prices in terms of US dollars moved up and speculation was again slightly excited about the prospects of better sales to China and at better profits. While during recent weeks the equivalent price of one troy ounce here was stable around US$48, last week's gold cross rate went up to 49¾; the lowest cross rate was US$48¼.

Imports into Macao were brisk, some 100,000 ozs. for the week and new orders were placed by native banks, bullion dealers and merchants, directly or through middlemen, with gold importers (actually agents of gold exporters in the U.S. or other countries). On the whole, c.i.f. Macao quotations remained around US$43½ per oz. or between HK$305 to 310 per tael.

The impending issue of new official import licences for gold by the Macao Govt., probably for a total of 250,000 ozs for the third quarter of 1948, has been discussed in the market with great interest.

Until sales to China do not materially improve large-scale imports of gold into Macao may not be undertaken; the present stock held here and in Macao, and the overbought speculation in Shanghai and Canton, do not encourage heavy new imports. If the China market will once again change and absorb larger quantities than has been the case during many weeks past then the matter of the issue of import licences by the Macao authority is of less significance as it is widely known that almost any amount of gold can be imported into Macao, covered or not covered by a licence previously issued, provided that the import duty is paid upon unloading of the gold from the incoming flying boats.

Hongkong exports last week were largely effected to Shanghai. An estimated total of 30,000 taels were shipped or flown out to the North. Some additional lots were transported directly from Macao, via Canton. During recent weeks less gold has been brought here from Macao as direct, and therefore cheaper, transportation means have been found by Macao gold exporters; the financial transactions continue to be attended to in this Colony.

Last week's principal exporters to Shanghai were the Chiuchow native banks of Tai Sun, Man Lee and Tak Hsun.

Considerable sales were effected last week by the three principal gold dealers, viz. Hang Seng, Wing Tai and Wing Loong.

Highest & Lowest gold prices last week (per tael): HK$334—319. Shanghai quoted highest CN$65 million, lowest 60 m., corresponding to a cross rate of US$50 to 52 on the average (on the basis of the US note price but some 3 to 5% higher when computed on the basis of the unofficial TT New York rate prevailing in Shanghai).

Canton's gold market was quiet, reporting a small turnover; opening at HK$327 per tael, closing at 332, in line with the better sentiments in Hongkong.

Transactions in the local market were last week as follows:—spot sales inside the Exchange 18,190 taels, outside the Exchange 30,400; forward sales for delivery 354,140 taels, and for margin clearing only 542,580.

The fictitious "paper" bar business has caught the fancy of many small speculators who patronise their native bank and, when they are lucky, clear a few dollars' profit within a week or fortnight; and when the market goes against them they either clear their position and pay the difference between the so-called purchase and liquidation price to the native bank, or they carry on, in the hope that a better price may soon return, and pay interest to the bank. It seems that the small man is taking an increasing interest in this counter.

Market Report

The Market showed considerable strength during the past week, in spite of heavy arrivals of gold in Macau, according to Mr. R. J. R. Elias' report. It is estimated that approximately 120,000 ounces of gold arrived in Macau during the past week. Nevertheless, public sentiment was very bullish, influenced firstly by high prices asked by sellers of gold abroad; and secondly, owing to the advance of the US$ TT rate quoted in the local unofficial market. TT improved from approximately 5.48 to 5.65.

Regarding the higher prices asked by suppliers of gold from abroad, it would appear that the buyers in Hongkong were responsible for an increase of gold prices abroad rather than the reluctance on the part of sellers to sell at current prices.

Until recently European gold importers (exporters' local agents) has been obtaining the bulk of their supplies from Amsterdam. When this source had no further supplies available, these importers endeavoured to find fresh sources of supply in various free gold markets. All other available sources had hitherto been selling gold to purchasers in this part of the world at around slightly higher than US$41 per ounce. However, when the importers started to compete for the available supplies, the rates gradually increased. It would appear that the buyers rather than the sellers were responsible for putting the rate up to its present level.

Even though gold is difficult to obtain at the present time, it is available, and possible even more easily obtainable than in the previous few weeks. However, on account of the very keen competition amongst the buyers, prices have increased considerably.

Towards the end of the week prices advanced sharply, partly due to the higher cost at which fresh supplies of gold are obtainable, and partly on account of persistent rumours in connection with the possibility of devaluation of the Hongkong dollar in terms of sterling; and also other rumours which would appear to be just as groundless.

However, irrespective of the cause, the Market was undoubtedly steady during the latter part of the week, and public sentiment was definitely bullish.

SILVER TRANSACTIONS

With higher TT New York quotations on the unofficial exchange market silver dealers advanced their rates from $4.02 to 4.08 per tael but exporters remained cool.

There was a small turnover only, viz.:—44,000 taels in bars, $8,000 worth of silver dollars (selling around $2.60 per piece), and $62,000 worth of small coins (20 cents each) at around $2.03 each. Supply from China remains on a very low level.

Imports & Exports of Silver during the month of April 1948:—

For the first time in postwar Hongkong's annals there were recorded imports of silver, viz. 1,760 ozs. valued at $5,016. in bars, and 5,349 ozs., valued at $9,576, in coins, both arriving here from Macao.

Exports in April totalled 95,936 ozs, viz. 28,183 ozs, in bars, valued $82,995, and 67,753 ozs. in coins, valued $198,474. The silver was shipped to the U.S. and to the Philippines, the former country receiving 90,936 ozs. and the latter country 5,000 ozs. The value of the exports to the U.S. was $266,169, and the value of the export to Manila was $15,300.

AMERICAN DOLLAR TRANSACTIONS

On account of more enquiry from gold importers and increased merchant demand as well as influenced by weaker open market rates for convertible sterling in the U.S., European and Near Eastern centres—a development which is watched and followed up by alert arbitrageurs—the local rate for HK dollar declined on the unofficial US$ market.

Incoming drafts from overseas Chinese did not halt the steady advance in the quotation for US$.

Sales in the native banks' market totalled last week:—TT New York US$1,119,000; drafts 716,800, and notes 348,000. Outside this market there were a few larger transactions reported, all of which in TT.

The unofficial cross rate weakened from US$2.91 to 2.83. Highest and lowest market rates were:—notes HK$561—542; drafts 561—546; TT HK$565—549.

The largest single transactions were effected by the firm of C. S. Ling & Co. with between US$300 to 400,000; other important purchases were made by the native banks of Hsun Hang, Hang Seng, Wing Loong and Wing Tai.

BANK NOTE MARKETS

Pound notes found less interest as New York rates were moving slightly downwards. As buyers were hesitant about the trend sellers came forward showing that there was some lack of confidence in the present high rate for Bank of England notes.

Piastres recorded large sales last week but at low prices; the political developments in Saigon are still not regarded as so encouraging to persuade speculators to take in larger amounts, nowever, the feeling is optimistic as to a higher rate.

The Indochina shemozzle is getting on everybody's nerves and the local business community desires the return to normalcy in the neighbouring, rich and friendly country.

Sales in the local piastre market were: (in millions of piastres):—spot inside the Exchange 2.2; forward inside the Exchange 4.1; spot outside the Exchange 2. The price for recognised legal tender went gingerly up to $11, while Ideo notes (black & red notes) sold around $9¼.

There was much excitement and lucky profit-taking in the Netherlands Indies guilder (Nica) market and also in the curb market which deals in so-called Java guilders, the legal tender of the N.E.I. prior to the outbreak of the war (1941). Nica guilders, selling inside the Exchange over 1.2 million came up to $50 (per 100 guilders) but settled around $45.

Java guilders, which quoted here a short while ago only $25, attained the top of $43 upon the information reaching here from Batavia that the Netherlands Indies Govt. has permitted the re-introduction of the prewar legal tender and that, accordingly, all Java guilders were again accepted in Indonesia.

(Previously only notes of 5 guilders and smaller denominations were legalized for circulation in post war N.E.I. while 10 guilder notes and larger denominations were barred from circulation. June 1st, has been set as the date for the resumption of all Java guilders as legal tender in the Indies).

Baht notes had a small market at stable prices. The Siamese Govt. is withdrawing from circulation all old notes and has already received, from London (Thomas de la Rue being the bank note printers), the necessary amounts of new notes to replace both the outworn bank notes and the many forgeries and such notes which had been, printed on inferior paper, put into circulation during the period of Japanese occupation (or, less charitably expressed, during Siam's grandiose participation in the war against the Allies).

CHINESE MONEY MARKET

The concerted attacks by Chinese and European business men on the policy of the Nanking Govt. in regard to its stubborn and unwise fixing of unrealistic exchange rates is bound to have results now. The new Chinese Govt. cannot afford to ignore protests by practically all the traders and will be compelled to adopt a new method

for dealing with the deteriorating trade and exchange position of China.

Meanwhile the black market rates remain almost unchanged on the current high levels. Shanghai quoted US notes last week CN$1.2 to 1.4 million, HK notes 210 to 225,000. Canton quoted HK notes, spot, between 227 to 237,000.

The local market transacted at rates which did not move much (and are found in the table of Unofficial Exchange rates below) the following amounts:—

1,520 billion of TT Shanghai, 660 billion of TT and DD Canton, 38.1 billion of forward CN notes, and 109.3 billion spot notes (viz. 15.9 billion inside, and 93.4 billion outside the Exchange).

Shanghai received very large amounts of flight capital from North and Central China, approx. 3,000 billons during last week. The move from Shanghai to Canton is unabated with Canton now chockful with CN$ which fact has caused the rather unusual spectacle of a premium (at times as much as 10%) on the Shanghai dollar.

CIRCULATION OF NOTES IN TAIWAN:

At the beginning of May the Bank of Taiwan note circulation was estimated at Taiwan dollar 25,000 million, or at the current exchange rate of CN$334 per one Taiwan dollar, over CN$8.3 trillion. After middle of May new issues have been released by Bank of Taiwan, this time in high denomination notes of 500 and 1,000 Taiwan dollars.

CIRCULATION OF NORTH EAST DOLLARS (IN MANCHURIA):

In the narrow pocket still held by Nationalist forces a subsidiary currency of Central Bank of China, the so-called North East dollar, remains legal tender. The current total issue of N.E.$ is estimated at CN$10,000 billion, and new issues are almost daily made.

Much of the North East dollars has poured into adjacent North China provinces and thus swelled the superabundance of paper money in all China. Any increase of note circulation in the shrinking area of Kuomintang-controlled Manchuria affects the financial position of Shanghai and the rest of China much more than the extremely indigent population remaining in the North East.

HONGKONG GOLD & DRUG SEIZURES

The preventive service of the Colony's Import & Export Department seized roughly $500,000 worth of gold weighing 1,415.26 taels and $300,000 worth of raw and prepared opium totalling 2,272.62 taels in the first three months of this year.

Drugs

The drugs were seized in 227 cases through Police raids on local opium divans and on incoming ships from Amoy, Swatow and Calcutta as well as on out-going vessels to Shanghai. In addition, another 13 cases were effected involving the seizures of 4,825 diacetylmorphine pills and 735 heroin pills in the same period.

Gold

Most of the gold seizures were effected on board vessels arriving here from Macao, Bangkok and Manila and on outgoing ships bound for Chinese ports. The seizures include those effected on aircraft and trains leaving here or arriving in the Colony from abroad.

January saw the largest seizures with 972.86 taels, followed by March with 415.24 taels and February with 127.16 taels totalling 1,415.26 taels in the three months.

In addition, revenue officers also seized 49 gold sovereigns (coins) and large quantities of crudely manufactured so-called gold jewellery in the same period.

Opium Seizures

The I. & E. Department on May 21 dumped 4,362 taels of raw and prepared opium into the sea, which was valued at approximately $500,000 and seized in the first four months of the year. Since liberation, the Department has to date dumped 8,897 taels of raw and prepared opium, valued at $1,067,640, into the sea.

Following is the list of opium seizures in the first quarter of 1948:

	Prepared Opium	Raw Opium	Dross Opium	Diacetylmorphine Pills	Heroin Pills
Jan.	22.26. taels	298.5 taels	—	2,372	—
Feb.	44.01	404.4	—	—	735
Mar.	74.25	1,429.2	1.25 taels	2,463	—
Total	140.52	2,132.1	125	4,835	735

HONGKONG STOCK & SHARE MARKET

During the week under review, May 24 to May 28, the market narrowed considerably. Cements improved to a high of $47½ but lost its gains to close at $46. Less interest was evinced in all the popular trading issues which showed slight losses. However, the demand for gilt edges were well maintained resulting in H.K. Banks reaching a new post war high of $2140 and Unions improving to $780 ex dividend.

Transactions reported totalled 90,631 shares of an approximate value of $3¼ millions, a decline of $1 million compared with the previous week.

Rumours were in circulation that the HK dollar would be devalued on its own. This, however, had no effect whatever on the stock market. Needless to say, had there been any basis for the reports it would have been reflected in an improvement in share prices.

Price Index

There was again a negligible net change in the Felix Ellis price index of twelve representative active local stocks. It showed a net gain of .04. for the period. Day-by-day his averages were: May 24, 145.66; May 25, 145.70; May 26, 145.78; May 27, 145.87;

CHARTERED BANK OF INDIA, AUSTRALIA & CHINA

The Head Office of the Bank in London has established a new Branch which was opened at Liverpool on Tuesday, 1st June, 1948. The address of this Office is:—Cotton Exchange Buildings, Old Hall Street, Liverpool, 3.

The new Branch is conveniently situated within the financial and commercial centre of the city and close to the Landing Stage and the Customs House.

HONGKONG UNOFFICIAL EXCHANGE RATES (IN HK$)

	Gold per Tael		CN$ (per ten million) Spot		Forward		S'hai	Canton		US	(per 100)				Pound
May	High	Low	High	Low	High	Low	T.T.	T.T.	Notes	Draft	T.T.	I.C.$	Guilder	Baht	Note
24	226¼	323¼	47½	45	49	43½	43¾	42	545	548	552	10.9	42.3	25.8	14.4
25	325	319¾	48	45	46	43	46	43	544	547	550	10.8	42	25.6	14.4
26	324½	319	46¾	44½	46½	45¼	46	42	543	547	551	10.8	42.5	25.7	14.3
27	328	322¾	46¼	45½	46	44	48	43	550	551	555	10.8	43	25.5	14.3
28	331¾	325½	47¾	45½	46	45¼	46	43	555	558	562	10.9	50	24.2	14.3
29	334	328	48¾	46½	45¾	44½	45	44	553	555	560	11	45	25.6	14.2

JAPANESE ECONOMIC REPORTS

Hongkong

Trade with Japan

Direct exports to Japan from Hongkong in the period April 21 to May 20, amounted to a value of $136,446, while direct imports from Japan into the Colony for the same period totalled $4,093,130. All exports, consisting of two commodities only, were carried to Japan on board two ships and one B.O.A.C. Flying Boat. Twelve ships were employed for bringing into the Colony from Japan 50 commodities.

The value and quantity of exports from here to Japan in the above mentioned period do not include those direct shipments conducted by Government or by Hongkong merchants from the country of origin. "Invisible" exports have been large during April 21 to May 20.

Exports & Imports

Following is a detailed list of the Colony's exports to and imports from Japan in the one month ending May 20 (Source: S.T. & I. Department):—

Exports: China Clay 817 tons, and Tyres & Tubes 10 sets.

Imports: Abalone 30 piculs; Aluminium ware 1,560 pcs. & 20,000 sets; Balloon Tube 12 pcs.; Bronze Powder 11,100 lbs.;

Calcium Carbonate 130 tons; Cellophane paper 200 reams; Cement 3,300 tons; Cigarette Cases 4,200 pcs.; Cigarette Lighters 264 doz.; Clocks (both desk & wall) 3,596 pcs.;

Coal & Coal Dust 9,098 tons;

Coca Cola 120,000 bottles;

Dried Sea Slug 100 piculs; Dyestuff 180 kgs.;

Enamel Ware 400 sets, 4,660 doz. & 4,248 pcs.;

Folding Chairs 2,000 pcs.;

Harmonicas 225 doz.;

Knives 1,225 doz.;

Mercury 11,400 lbs.; Mirrors 2,108 lbs.; Mosquito Spirals 30,000 kgs.;

Needles 100 gross;

Porcelain Tile 403,696 pcs.; Porcelain ware 24,477 doz., 682 sets & 400,000 pcs.;

Raw Silk 42,345 lbs.; Rayons 15,964 yds.; Rayon Piecegoods 198,843 yds.;

Refined Camphor 13,495 lbs.; Rubber Canvas Shoes 36,000 pairs; Rubber Tyres & Tubes 1,355 sets & 34 pcs.;

Sanitary Ware 24 sets; Sharks Fins 15 piculs; Shiitake 32 piculs; Sewing Machines 12 sets; Spring Press Studs 2,700 gross; Spring Tops 2,500 doz.;

Spun Rayon Fabrics 12,000 yds.; Spun Rayon Yarn 100,000 lbs.; Steel Wire Healds 2,400,000 pcs.;

Table Ware 2,800 doz.; Tooth Paste 2,000 doz. tubes; Toys 1,000 sets & 7,310 doz.;

Watches 760 pcs.; Window Glass 21,537 sq. ft.; Wire Netting 240 rolls; Wiring Devices 7,200 pcs.; Woollens 11,596 yds.; Woollen Fabrics 26,624 yds.; Worsted Fabrics 48,047 yds.;

Zinc Oxide 40 tons.

* * * *

Hongkong

Preparation of a Boycott of Japanese Exports

Six Chinese manufacturers' unions and commercial organisations here formed an Organising Committee on May 29 after several meetings in the past few weeks, for the formation of a Committee of "Anti-American Support for Promotion of Japanese Industries".

The Organising Committee is participated in by the Hongkong Chinese Manufacturers' Union, the Hongkong Cotton Cloth Mnaufacturers' Association, the Chinese Chamber of Commerce (Kowloon), the South Seas Economic Promotion Association, the Hongkong Weaving & Knitting Association, and the Singapore Silk Goods Importers' Association.

Formal inauguration of the Committee of "Anti-American Support for Promotion of Japanese Industries" is scheduled for June 12, when the Organising Committee will hold a tea party at the Kam Ling Restaurant to which representatives of all Chinese public bodies and leading society personages will be invited.

A manifesto is being drafted by the Organising Committee and will be dispatched following the inaugural meeting on June 12 to the Governments of China, Britain, the U.S. and General Douglas MacArthur's Headquarters and the United Nations Secretariat.

According to decisions reached at the first meeting of the Organising Committee on May 29, the manifesto aims at arousing the interest of the Allied Nations to prevent the United States from carrying out her decided plans for the promotion of Japanese industries beyond Japan's domestic requirements.

The manifesto, which will also be dispatched to the Chinese communities in China and abroad, also aims at arousing the interest of the Chinese people of not buying Japanese goods.

* * * *

Principal Trading Articles between Hongkong & Japan

(For the period after the end of war in September 1945 to end of November 1947).

Japanese exports to Hongkong:—70 million lbs of Cotton yarn; 610,000 lbs of Rayon yarn; 12,696,640 square yards of silk piece goods; 104,535 metres of woollen piece goods; 794,421 metric tons of coal; 26,814 units of electric fans; 371,484 pieces of chinaware.

Japanese imports from Hongkong:—3,384 metric tons of beans; 955 tons of salt; 181,147 lbs of Manila hemp.

* * * *

Yen Circulation

Bank note issue of Bank of Japan (in million yen):—February 1947 Yen 100,705, end of 1947 Yen 219,141, in February 1948 Yen 212,819.

* * * *

Trade between Sterling Area Countries and Japan

The United Kingdom Government has negotiated a financial agreement with SCAP and the Japanese Government as regards payments for Japanese imports to the sterling area countries. Hongkong remains, for the time being, excluded from the terms of this agreement and will continue on the present basis, i.e. on a two-way trading account in US$.

The new U.K.-Japan agreement provides that Japanese exports to sterling area countries, which are not balanced by sterling area exports to Japan, are be paid in nonconvertible sterling up to a certain amount. If the balance in favour of Japan exceeds this limit the excess amount in sterling becomes convertible into US$.

All trade between Japan and sterling area countries will from now on

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May 28, 145.62. The High and low for 1947 were 155.82 and 123.88 respectively. The High for 1948 was 148.68 on February 12, and the low 143.56 on April 16.

Business Done

H.K. BANKS: @ 2100, 2115, 2125 and 2120.

INSURANCES: UNIONS @ 775. 780, 775, 777½, 775, 778, 780; UNDERWRITERS @ 6.90, 6¾.

DOCKS & GODOWNS: DOCKS @ 32½, 32¼; PROVIDENTS @ 23¾, 24, 23¾, 24, 23¾; S'HAI DOCKS @ 24.

HOTELS & LANDS: H.K. HOTELS @ 18.35, 18.40, 18½, 18.40, 18½, 18¾, 18.35, 18.40, 18¼; H.K. LANDS @ 84, 83¾, 83½; S'HAI LANDS @ 5.

UTILITIES: H.K. TRAMS @ 24¼, 24; PEAK TRAMS New @ 14; STAR FERRY @ 128; LIGHTS Old @ 25¼, 24¾, 24.85, 25, 24¾, 24¼, 24¾, 24½, 24.35; and New 20¼, 20; SANDAKAN LIGHTS @13; H.K. ELECTRICS @ 49½, 49¾, 50, 49¾, 50, 49¾, 49½, 49¾, 49½; TELEPHONES @ 42, 42½, 43, 44½, 44¾, 45.

INDUSTRIALS: CEMENTS @ 47, 47½, 47, 46½, 46¾, 46¼, 46½, 46¼, 46½, 46¼, 46; ROPES @ 19, 18½, 19; DAIRY FARM Old @ 52¾, 51; WATSONS Old @ 57, 56½, 57, 56¾, 57, 56¼, and New @ 53.

STORES: CHINA EMPORIUM @ 12.60.

COTTONS: EWOS @ 22¼, 22½, 23, 22¼.

RUBBER TRUST @ 4½, 4¼.

be conducted on the basis of sterling. however, cotton yarn and cotton fabrics are the exception as they have to be paid for in US$ as a consequence of Japan's imports of raw cotton being almost exclusively obtained from the U.S. With the expected increase in Indian and other Empire sales of raw cotton to Japan this point in the payment agreement between U.K. and Japan is bound to be altered.

* * * *

Japanese Major Mining & Manufacturing Productions

For the Month of December 1947:—

Gold ore 154,400 grams, gold 286,192, grams; Silver ore 5,670 kilograms, silver 8,276 kilograms;

Copper ore 1,660 metric tons; Tin ore 7,101 t; Iron ore 35,000 t; Pyrites 61,400 tons; Coal 2.96 million tons; Lignite 251,000 tons;

Crude oil 14,197 kilolitres, Refined Oil 15,739 kilolitres; Sulphur 2,700 tons;

Pig Iron 25,954 tons; Steel Materials 46,829 tons; Special Steel Materials 5.529 tons; Electr. Copper 3,108 t; Zinc 1,493 t; Lead 813 t; Aluminium ingot 285 t; Aluminium rolls 1,458 t; Mercury 4,056 kilograms, Tin 7,230 tons;

Cast iron pipes 2,183 t, Galvanised sheets 2,312 tons, Nails 1,490 t, Wires 309 t, Iron rods 513 t;

Int. combustion engines 2,623 units, motors 14,500 units, Transformers 5,513 units, Radio sets 65,000, Vacuum tubes 543,479 pieces, Telephones 28,410 units, Electric wires 3,217 tons, Insulators 663 tons;

Spinning machines 0; Weaving machines 2,600, Machine tools value 97.9 million yen, trucks 1,312, Bicycles 17,565, Pumps 5,600;

Farm implements value 186.7 million yen, Sawing and wood working machines 55.4 million yen, Watches and clock 153,760 pieces, Cameras 5,867 pieces, Electric bulbs 9½ million pcs., Ball bearings value 24.6 million yen;

Soda ash 4,317 tons, Caustic soda 3,317 tons, Sulphuric acid 129,190 tons, Carbids 17,263 tons, Absolute alcohol 354 kilolitres, hydrated alcohol 4,821 kilolitres.

Dyes 233 tons, Paints 1,286 t, Soap 865 t, Coal tar 10,211 tons,

Gasoline refined 1,474 kilolitres, Light oil refined 1,416 kl, Kerosene refined 2,153 kl, Machine oil 3,256 kl, B. Heavy oil refined 2,347 kl, C. Heavy Oil refined 17 kl, Paraffin 28 tons, Asphalt 1,838 tons, Grease 436 tons, Fatty acids 252 tons;

Autotires 35,041 pieces, Bicycle tires 241,000, Autotubes 35,735, Bicycle tubes 276,000, Rubber boots 302,000 pairs, Rubber soled tabi 939,000 pairs, Rubber belting 184 tons,

Rayon pulp 1,951 tons, SP Paper pulp 6,759 tons, GP Paper pulp 13,542 tons, KP Paper pulp 941 tons, AP Paper pulp 122 tons, Kraft paper 1.2 million lbs, Newsprint 19.2 million lbs, Paper 15.9 million lbs;

Celluloid 222 tons, Rayon yarn 1 644,000 pounds, Staple fibre 2 million lbs, Superphosphate of lime 78,533 tons, Ammo-sulphate 57,775 tons, Calcium cyanamide 13,791 tons, Cow hides 371 tons, cow leather 251 tons, Leather goods for industrial use 156 tons,

Gas 52.9 million cubic metres, Coke 184,000 tons,

Pottery value 353 million yen, Bottles 2,127 tons, Sheet glass 142,831 cases, Plate glass 0; Glass ware 3,062 tons, Cement 132,700 tons,

Cotton Yarn 17.3 million yards, Silk yarn 695,000 yards, Hemp yarn 1.3 million yds, Woollen yarn 1.4 million yards, Staple fibre yarn 1.3 million yds,

Cotton fabrics 49.5 million square yards, Silk fabrics 3½ m. sq. yds. Hemp fabrics 1.3 m. sq. yds, Woollen fabrics 1.9 m. sq. yds, Rayon fabrics 1.4 m. sq. yds, Staple fibre fabrics 2 million square yards.

Fishing nets 1.4 million lbs, Matches 17,100 tons, Leather shoes 167.3 million pairs, Spades and shovels 368 tons, Hammers and pick axes 127 tons, Pans 172,000 pcs, Rice cookers 52,000:

Power, thermal, 193.4 million kilowatthours, Power, hydro, 1,993,938,000 kwh

The Foreign Trade in 1947

The foreign trade figures for 1947 totalled US$270 million exports and $440 million imports, resulting in an unfavourable trade balance of $170 million.

Textiles with 399 million square yards of cotton piece goods tops the list at 55 per cent of the total, followed by sundries, coal and farm products in this order. The trend is generally similar to that of 1936 when textiles headed the list at 44.87 per cent, followed by machinery and metals at 17.65 per cent, sundries and farm products, machinery and metals and sundry goods are still below the pre-war proportions, but this year should see export commodities approaching closer to the former level.

Export Commodities and Percentages

		1947 percentage
Textiles		55.40
Cotton piece goods	399,211,927 yds.	31.43
Raw silk	17,093, b/s	7.75
Silk piece goods	18,145,712 yds.	5.37
Cotton yarn	24,282,000 lbs.	3.39
Rayon yarn	7,417,000 lbs.	3.92
Rayon piece goods	4,148,000 yds.	0.68
Others		3.00
Sundry goods		9.27
Coal	810,835 tons	7.62
Chemical, farm & Marine products		13.65
Farm products		6.81
Marine products		3.15
Fertilizer	112,512 tons	2.75
Chemicals		0.94
Lumber	975,055,781 koku	5.68
Machinery & metals		8.24
Machinery		6.08
Metals	1,230,056,125 tons	2.16
Others		0.14

Food continues to top the import list and account for 48 per cent of the total import value, followed by kerosene with 17 per cent, raw cotton with 13 per cent and fertilizers with 10 per cent. major imports are expendables.

Import Commodities and Percentages

	(1947)	
Food	2,018,800 m/t	48.36%
Kerosene	1,178,264 k/l	16.88 „
Kerosene	2,802 m/t	16.88 „
Fertilizers	1,437,758 m/t	9.81 „
Raw cotton	605,952 b/s	12.97 „
Salt	824,952 m/t	3.32 „
Machinery	—	2.38 „
Drugs & chemicals	—	1.92 „
Crude rubber	17,090 m/t	0.97 „
Others	—	3.49 „

Export by markets is beginning to resemble the pre-war distribution, with shipments to Asiatic countries increasing to 66 per cent against the 51 per cent in 1946. After Asia comes North America, Europe, Africa and Australia in the same order as in pre-war days.

As to the source of imports, Japan is still almost entirely dependent on the United States which supplies 83 per per cent. Shipments from Asiatic countries are small.

While depending on imports from the United States, Japan is seeking markets for her exports among the Asiatic nations. Principal difficulty continues to be dollar payments on these exports. Although an interim agreement on dollar-sterling exchange for the purpose of facilitating Japanese trade with the sterling areas was made between SCAP and Great Britain on November 15, 1947, there has been no marked improvement. Therefore, in dealing with the sterling areas the barter system whose drawbacks have already been experienced is being resorted to Japan's great disadvantage. For by this method she is unable to export commodities manufactured from raw materials purchased from the United States to consumers in the Far East area. The disqualified export goods are in reality accumulated stock unsuited for sale in the United States because of inferior qualify and unshipable to Asiatic consumers because they lack dollar funds.

Import and Export Markets and Sources in 1947

	(Percentages) Export	Import
Asia	66.80	8.83
N.E.I.	19.36	0.21
Korea	14.31	0.56
China	7.86	0.80
Hongkong	7.53	0.66
India	5.51	4.93
Malaya	1.99	0.92
Philippines	—	0.50
Burma	2.29	—
Siam	18.38	—
Turkey	1.81	0.25

North America	16.93	88.35
United States	16.10	88.35
Europe	9.54	0.36
Great Britain	6.79	—
Sweden	1.54	—
U.S.S.R.	—	0.36
Africa	3.98	2.12
Egypt	—	1.79
Morocco	1.75	—
Aden	—	0.33
Oceania	2.66	0.12
Australia	2.11	0.12
Others	0.09	0.22

The subject of foreign investments in Japan has thrown a ray of hope on foreign trade circles. Since the establishment of the foreign trade revolving fund on August 15, last year, the $137 million worth of valuables continued untouched. But with the advent of this year, a raw cotton credit to the amount of $60 million was granted.

Currently the Foreign Capital Committee is studying the problems of foreign investments, and compiling a ranking of enterprises desiring foreign capital.

The problem of foreign exchange rates will be settled as soon as the forthcoming overall revision of the domestic price structure is carried out. In the meantime, yen-dollar conversion rates for export goods are being individually set on the basis of data submitted by the government offices concerned.

* * * *

Cotton Goods Exports

Japan's exports of cotton fabrics and yarns since the Surrender to the end of January, 1948 were as follows:

Destinations	Fabrics (1,000 sq. yds.)	Yarns (1,000 lbs.)
Asia	277,702	28,683
Africa	43,990	56
Europe	85,464	—
North America ..	7,138	—
South America ..	1,100	—
Oceania	11,421	1
Total	426,815	28,741

* * * *

Raw Silk Production and Exports

The 1947 raw silk production totalled 110,376 bales (the monthly average of 9,198 bales), about 42,000 bales less than the original goal of 152,600 bales.

Raw silk exports during 1947 totalled 17,273 bales against the original goal of 130,000 bales.

1947 Raw Silk Exports by Destination
(In bales)

U.S.A.	4,094
England	7,260
Australia	2,654
India	3,000
Egypt	50
New Zealand	215
Total	17,273

Foreign Loans & Payments

Together with the problem of reparations, the disposition of Japan's pre-war foreign currency loans will have an important bearing upon the future of her economy. Japan's relatively favoured position in the international money market in the past was due to the fact that she had never defaulted.

Japan's foreign debts total some Yen 20,473 million as shown in Table 1. This may appear small when compared with the current national budget, but the fact that it must be backed either by gold or by goods cannot be over-looked. And, furthermore, the figure is the result of conversion into yen on the basis of the Occupation Forces rates of Yen 50 to the dollar; Yen 200 to the pound; and Yen 42.25 to 100 francs. Therefore, with the exchange rates revised, say, on the basis of Yen 150 to the dollar in conjunction with the resumption of normal trade, the foreign loan aggregate would become about Yen 61,200 million.

1. Foreign Obligations, Principal & Interest

(In Y1,000)

	Principal unredeemed	Interest unpaid	Total
U. S.	3,379,200	1,131,649	4,510,849
Britain	12,228,850	3,568,946	15,797,796
France	134,298	30,429	164,728
Total	15,742,348	4,731,024	20,473,373

Note:—Interest figures aggregate from outbreak of the War to June, 1947 (Calculated at the conversion rate of Y50 to a dollar).

By the Foreign Loans Disposition Law of March 31, 1943, bonds held by Japanese and friendly nationals were changed to domestic currency issues, and interest payments were effected either in yen or in Swiss francs. But since the greater part of Japan's foreign bonds were held by enemy nationals, a "Special Properties Custody Account" was set up in the Yokohama Specie Bank to which interest payments were credited in yen. The amounts paid in are as shown in Table 2.

2. Interest on Foreign Loans Credit to the Special Properties Custody Account

	Interest in foreign Currencies	Interest in yen
Government Bonds		
Dollar Bonds	$ 1,494,588	6,352,002
Sterling Bonds	£ 2,640,809	44,471,233
Local Bonds		
Dollar Bonds	$ 579,327	1,162,131
Sterling Bonds	£ 712,985	6,960,879
Debentures		
Dollar Debt.	$ 3,911,182	7,981,471
Sterling Debt.	£ 271,396	2,649,644
Total		
Dollar Oblig.	$ 5,985,098	15,495,604
Sterling Oblig.	£ 3,625,191	54,081,757
Grand Total		69.577,361

The conversion rates adopted were: Yen 4.25 to the dollar, and Yen 16.84 to the pound. But for local bonds and debentures, these were later changed to Yen 2.006 to the dollar, and Yen 9.763 to the pound; and some Yen 12 million were withdrawn from the Account. This step was taken to lessen the burden of the debts, and all payments into the Custody Account ceased as of January 31, 1943.

Since in the case of Italy, foreign loans were treated entirely apart from reparations and the same is expected with the Japanese treaty, payment of interest amounting to some 69½ million yen credited to the Custody Account will become a matter of immediate concern. Naturally, this amount having been calculated at parity rates, re-evaluation will have to be made; and if recalculation is made at Yen 150 to the dollar, an aggregate of some Yen 15,000 million becomes payable. But as stated above this sum must be supported either by gold or by goods. Foreign loans are pre-war obligations. And in order to recover the former Japanese reputation and to obtain further credit advances, it will be necessary to meet these debts in the cleanest possible manner.

* * * *

The Wool Industry

According to the three-year plan initiated in September, 1946, for the rehabilitation of the wool industry, it was proposed to increase by August 1949 the 472,000 spindles for worsted yarn (approximately 300,000 in working order) and the 460 carding machines for woollen yarn (380 in working order) that survived the war to 730,000 spindles and 760 machines respectively. However, in August 1947, the provisional rehabilitation goal of 733,000 spindles and 815 carding matches was indicated by SCAP. Thus, although there is not much difference in the target for worsted, the addition of 55 carding machines has caused the industry to revise its working schedule to fit in with the new requirements.

The facilities existing at present are 450,000 spindles for worsted and 491 carding machines for woollen yarn. Therefore 283,000 more spindles and 324 more carding machines will be required; and the problem is how to allocate these to the various concerns which make up the industry. With worsted, this will be comparatively easy because the installation of additional spindles will be done almost entirely by member-companies of the Woollen Industry Association: the only outsider being the Nankai Woollen Yarn K.K. planning to install 10,000 spindles. But with carding machines, many non-members are entering the field; so an arrangement has been made to halve the 324 machines to be set up between As-

sociation members and outsiders. It is estimated that two years and a billion yen will be required for this work.

As for raw materials, the outlook is fairly bright because importation of raw wool is making steady headway. In June 1947, 7,481 bales of wool arrived from Australia. Of these, 6,400 bales were carmarked for export fabrication and the remainder was allocated to domestic consumption; and the production of 330,000 lbs. of woollen yarn and 479,000 lbs. of worsted has been completed, with weaving progressing since December 1947. Then at the beginning of December, 330 bales of South American wool arrived. These have thus far been the only shipments from abroad, and the future quantity has not been divulged. But since the restoration level has been fixed, the industry has been indulging in wishful thinking. For with capacity restored according to plan, consumption of 600,000 bales per year would be possible. The current requirement however is around 300,000 bales a year, or 25,000 bales per month. Although it is not yet clear to what extent use may be made of the Trade Revolving Fund established a short while ago, the industry is requesting a sum sufficient to purchase 25,000 bales each month. In as much as the purchases of last year were effected at about US$100 per bale, $130 per bale should be on the safe side. Then, 25,000 bales per month or 300,000 bales per year would cost $39 million.

This then is the amount the wool industry would utilize out of the Revolving Fund. However, the Economic Stabilization Board is planning to import only some 160,000 bales for re-export purposes during 1948. Actually, the import requirement for this year should be between 200,000 and 300,000 bales, so the necessary funds will in all probability be drawn from the Revolving Fund.

Another hopeful factor is the method made possible for settlement of accounts with the Sterling areas through the provisional agreement entered into by SCAP and Great Britain as announced November last year.

Output of woollen yarn in Japan: (in thousand pounds)

Worsted:—January 1947: 712, November: 468.

Woollen:—January 1947: 1,567, May: 2,105, November: 1,298.

The short supply of imported wool is responsible for the drop in production but the uncertain supply of power is the chief source of worry to the industry.

The Textile Industry

With Japan's post-war industrial emphasis shifted from heavy to light industries, the textile industry, the nation's pre-war export favourite, has leaped to the fore.

During the war, Japan's textile industry was crippled due to heavy air-raid damages and wartime industrial readjustments. With equipment either lost, damaged or superannuated during the war and rejuvenation experiencing shortages of funds, the post-war recovery of Japan's textile industry appears difficult.

In the case of cotton spinning, the number of the industry's pre-war spindles amounting to 13,782,000 was reduced to 2,713,000 or 19.7 per cent at the time of the war's end. Other major textile fields were likewise seriously affected. Rayon, worsted, staple fibre, silk spinning, woolen yarn and hemp spinning (including jute, flax and ramie) dwindled to 21.9 per cent, 24.4 per cent, 35.5 per cent, 53.3 per cent, 58.1 per cent and 64.7 per cent, respectively, of what they were before the war.

PRE- AND POST-WAR TEXTILE CAPACITY

	Pre-war	Post-war	What was left
Cotton spinning (spindles)	13,782,000	2,713,000	19.7%
Rayon (daily capacity in m. tons)	539	118	21.9
Staple fibre (daily capacity in m. tons)	786	279	35.5
Silk spinning (spindles)	393,444	209,570	53.3
Worsted yarn (spindles)	1,628,454	397,724	24.4
Woollen yarn (cards)	732	425	58.1
Hemp spinning (spindles)	361,394	233,834	64.7

SCAP authorized the restoration of the cotton spindle capacity to 4,000,000 spindles in the Spring of 1946.

The expansion of the annual output of rayon and staple fibre to 150,000 metric tons was also permitted.

Under the three-year textile reconstruction plan, an increase in spindles for worsted yarn to 767,000 spindles and cards for woollen yarn to 780 units by the end of September, 1949, is being pushed.

The production of various yarns and fabrics has made a comfortable comeback during the years since the war's termination.

Yarn Production
(In 1,000 lbs.)

	1946	Jan.-Oct., 1947
Cotton yarn	127,875	239,160
Rayon yarn	9,028	12,867
Staple fibre yarn	20,487	14,795
Worsted yarn	6,988)	22,838
Woollen yarn	21,188)	
Hemp yarn	39,671	14,568

Average Annual Yarn Production
1930—34
(In 1,000 lbs.)

Cotton yarn	1,157,896
Rayon yarn	82,649
Worsted yarn	54,541
Woollen yarn	39,200
Hemp yarn	145,138

Production of Fabrics
(In 1,000 sq. yards.)

	1946	Jan.-Oct., 1947
Cotton fabrics	241,698	565,281
Staple fibre fabrics	30,284	27,875
Woollen & worsted fabrics	22,937	17,806
Silk fabrics	37,636	29,345
Rayon fabrics	42,174	43,656
Hemp fabrics	20,914	16,768

Encouraging is the export situation. During the two years since the Surrender—September, 1945, to September, 1947—Japan's exports of textile products totalled Y3,455 million, including Y1,505 million worth of raw silk, Y1,316 million of cotton fabrics, Y240 million of silk fabrics, Y125 million of cotton yarn and Y89 million worth of rayon yarn. Thus, textile export amounted to 48 per cent of Japan's total export trade aggregating Y7,201 million.

Exports of Textile Products
(Sept., 1945, to Sept., 1947)

	Quantity	Value (In Y1,000)
Cotton yarn (1,000 lbs.)	21,179	125,344
Raw silk (bales)	94,071	1,505,302
Rayon yarn (1,000 lbs.)	4,396	89,041
Staple fibre yarn (1,000 lbs.)	60	10,324
Silk fabrics (1,000 sq. yds.)	9,870	240,732
Cotton fabrics (1,000 sq. yds.)	238,235	1,316,118
Total		3,454,985

* * * *

The Match Industry

There are 42 match factories with a combined monthly capacity for manufacturing 30,000 match tons (7,200 small individual boxes containing 90 splints compose one match ton). Of these makers, only less than 10 have a monthly capacity of 1,000 match tons, and only about 20 factories have more than 100 workers (including three factories with more than 300 workers). The match industry depends more upon female than male labour, the ratio of women workers exceeding that of men workers 3.5 to 2.0

Japan's monthly match production capacity recovered to the 40,000 match ton mark (nominally to the level directly preceding the outbreak of the Sino-Japanese hostilities). The actual production, however, is less than 20,000 match tons monthly. The major damper is the crippled supply of glue and paraffin, the two most important raw materials for manufacturing matches. Actual deliveries of glue and paraffin during 1947 reached only 20 to 30 per cent of actual demands. Thus, domestic match manufacturers are compelled to depend upon black market channels for supplies of inferior substitutes.

The manufacturing process of matches is divided into three. The first stage involves the production of splints and small individual boxes, the second calls for the application of chemicals, including sulphur, to splints and boxes, and the third re-

quires labour for arranging these chemical tipped splints into individual boxes. In some factories this triple operation is executed under a unified management. In many cases, however, match manufacturers, in the common sense of the word, mean those who purchase raw materials, such as splints and small boxes, and execute only the second and third operations.

The shortage of splint-wood is a real drawback. Before the war, match manufacturers used principally poplar, *doro* or *shina* as materials for making splints. During and after the Pacific War, however, they have to depend upon pine, which is less combustible than the foregoing three.

Little can be expected from Japan's match industry both as to quality and quantity for the time being. The mass production policy which was applied to the match industry as to other industrial branches during the war unnecessarily superannuated match factories and equipment, thus retarding the early recovery of the industry after the Surrender.

In Japan's match industry, the position of the Japan Match Industrial Company, Ltd. is foremost, as it serves as the monopolistic distributing organ through large-scale purchases of raw materials and finished products as well as nation-wide marketing of products.

Minor match factories, including household mills affiliated with this Company, are required to make quota deliveries of their products to the Company exchange for smooth supplies of raw materials and financial aid.

Automotive Industry

Japan's automobile production has become steadily normalized, although the output is still small. Of the five leading auto-makers in Japan, Toyota leads the list, with special stress placed on the production of small cars of the "Toyoppet" model. Nissan specialized in small passenger cars and trucks of the Datsun model side by side with larger trucks. The Isuzu Motor Company maintained the 200-car-a-month schedule. There is a notable tendency among Japanese auto-makers to shift to diesel cars from ordinary models in view of the gasoline shortage.

Automobile Production by Major Makers

	Toyoto	Nissan	Isuzu Motor	Mitsubishi Heavy Industries (Kyoto)	Mitsubishi Heavy Industries (Kawasaki)	Total
1947:						
Aug.	303	307	180	40	8	838
Sept.	406	218	220	54	11	909
Oct.	370	155	176	60	15	776
Nov.	249	230	200	50	15	744
Dec.	614	430	200	55	13	1,312
1947 total	3,768	3,305	1,697	417	103	9,290
1948:						
Jan.	331	220	140	50	11	852

IRON & STEEL INDUSTRY

War damages in Japan's iron and steel industry were not serious. But having overtasked during the war, most of its equipments need extensive repairs.

Some of the plants have been assigned for reparations. Material shortage is still very critical. Under such circumstances, the industry is not inclined to pull itself up seriously.

Blast Furnace Capacity

(Actual capacity in pre-war years in 1,000 metric tons)

	For reparations	Not for reparations	Total
Operating ..	65	468	533
Ready to run	102	707	809
Large repairs needed ..	2,264.6	1,609.4	3,874.0
Damaged beyond repair	—	180.2	180.2
Total	2,431.6	2,964.6	5,396.2

Open hearth & Converter Capacities

(Actual capacity in pre-war years in 1,000 metric tons)

	Open hearths	Converters	Total
Operating ..	1,057.9	—	1,057.9
Ready to run	3,290.7	—	3,290.7
Large repairs needed ...	1,240.15	400.0	1,640.15
Damaged beyond repair	562.8	—	562.8
Total	6,151.55	400.0	6,551.55
Assigned provisionally for reparations	2,698.55	—	2,698.55
Not Assigned for reparations	3,453.0	400.0	3,853.0

Major Pig Iron Furnaces (November, 1947)

38 plants; Furnace capacity nominal 18,110 tons per day, 6.3 million tons per year; actual capacity 5,396,200 tons per year

Big Iron Production

(April to Sept. 1947) (In metric tons)
Blast furnaces 129,567; Electric furnaces 64,270; total 193,837.

Steel Production

(April to Sept. 1947) (In metric tons)
Open hearths: for rolled products 235,584, for hammered products 2,322, for castings 1,353, high quality steel 622; total 239,681.

Electric furnaces: rolled products 140,212 hammered products 12,529, castings 67,948, high quality steel 58,687, total 279,376.

The blast furnaces and open hearths operating at present had in pre-war years a combined capacity to produce 533 million metric tons of pig iron and 1,058 metric tons of steel. But they have produced only 130 thousand metric tons of pig iron and 240 thousand metric tons of steel during the last half year of 1947, representing only 45 per cent of normal. The main reason for this inefficiency is the poor quality of the materials used. In pre-war years, more than 80 per cent of iron ore and about 50 per cent of coal and steel scraps came from overseas. Today, stocks of imported materials are almost used up and the industry is dependent almost entirely on domestic materials of very inferior quality.

Electric furnaces have come to play a very remarkable part, producing more than half of the total steel production. In pre-war years, electric furnaces were used only for special purposes. Of the 4,312 thousand metric tons of pig iron produced in Japan proper in 1941, only 32 thousand metric tons or less than 1 per cent, was electro-iron. Steel production for the same year was 6,844 thousand metric tons and 1,221 thousand metric tons or 18 per cent was produced by electric furnaces. The reason for this increased employment of electric furnaces is to be found in coal shortage, small scale operation and utilization of local materials.

Production and Shipment of Iron Ore in Japan

(In 1,000 metric tons)
Total: Production 597; Shipment 625.
The iron content is over 47 per cent.

Estimated Yearly Production Capacity of Iron Mines

(In 1,000 metric tons)
Total: 1,219.4.

The iron ore produced is not only very low in iron content, but often contains sulphur and other harmful impurities.

It may roughly be estimated that the maximum annual output of iron ore which contains more than 50 per cent of iron is less than 600 thousand metric tons.

In 1941, 1,267 thousand metric tons of iron ore was mined. But at the same time, 5,676 thousand tons of iron ore was imported, making the ratio of domestic production to imports 18:82. Today stocks of imported ore are almost exhausted. And only whatever has been left over is being used sparingly for open furnaces. In Yawata Iron Works, the average iron content of the iron ore charged into blast furnaces is at present a little over 50 per cent. Iron content of the ore used in open hearths is 54-55 per cent at Yawata, 60 per cent at Kamaishi, and 52 per cent at Wanishi.

The total iron and steel scraps available at present is estimated at about three million metric tons. But they are of inferior quality. Some is over-oxidized. Some contains much copper, sulphur and other unwelcome ingredients. Generally speaking, they are too much mixed up, unassorted and of unknown origin.

Coal is another problem for the industry. Most of the coal is low in coking power. It does not form good coke, hard enough to be charged into blast furnaces.

The only domestic source of high coking coal is the Hokusho coal field in Kyushu. But its output is very limited.

"Coal ratio" (tonnage of coal required to produce one ton of pig iron) at Yawata Works stands at 3.5—3.6 at present the pre-war figures being 2.1. All other plants running blast furnaces are now making coke from inferior domestic coal. A new method in making harder coke from domestic low coking coal by mixing it with coalite, has been developed in the Wanishi Plant. It demonstrated that blast furnaces can be run without imported coal.

Official Prices of Iron and Steel

(In yen per metric ton)

	Consumers' Prices	Manufacturers' Price	Government subsidy
Pig iron (for steel making)	3,050	6,750	3,700
Steel bar (19-28 m/m) ..	5,990	10,510	4,520

Prices of Major Materials

(In yen per metric ton)

Coal (for blast furnace):	
Special grade	855
First grade	834
Government subsidy to be granted to mine operators	200
Iron ore:	
For use in blast furnace, standard iron content of 48% ..	970
For use in open hearth, standard iron content of 54% ..	1,027
Steel scrap:	
First grade	1,100

Japan's iron and steel industry cannot be reconstructed without sufficient importation of raw materials.

In the case of one million metric tons of pig iron production, 1.5 million metric tons (in wet weight) of iron ore and 0.95 million metric tons of caking coal, and in the case of 2.5 million metric tons of pig iron product, 4 million metric tons of iron ore and 2,8 million metric tons of caking coal have to be imported. Probably more imports of ore and coal would be necessary when the domestic production of these materials will not longer be able to catch up with the possible increased demand.

As to the sources of iron ore: Even if shipments from Tayeh and other mines along the Yangtze River were to be suspended for some time to come, much will come from Hainan Island and Malay Peninsula. Hainan Island has at present a stock of some 700 thousand tons of iron ore, and an annual production of over one million tons. Malay Peninsula could possibly supply over one million tons.

Prospects of coal imports are very depressing. Hitherto, Japan's iron and steel industry depended almost entirely on North China and Manchuria for its caking coal. In 1941, coal imports from North China amounted to 3,290 thousand tons, and those from Manchuria 430 thousand tons. Kailan and Chunghsing mines in North China were the main suppliers. For the present, they are out of our picture, for their shipping ports of Tangku and Hulutao are in the hands of the Chinese communists. Supplies from Manchuria coal mines as Mishan, Wushun and Penhsihu are more desperate than in the case of North China. There are no other possible sources of supply of coal in the Far East, except North Saghalien. But the output there is limited and the prospects of its exports are highly improbable.

There are only two choices left either to import high caking coal from Canada, U.S.A., Australia, India, etc., or to import whatever fuel oil from America and anthracite from French Indo-China. The former method is uneconomical. It should be justified only as an emergency measure. The latter would enable the requisitioning of the domestic caking coal which is used in other industries. (Of the 30 million tons of coal production scheduled for the current fiscal year, 3.6 million metric tons are caking coal, of which only 1.2 million metric tons are to be allocated to the iron industry). However, it has its technical limitation and the resultant inefficiency in the blast furnace operation is inevitable.

Under such circumstances, it may be safe to assume that pig iron production of over one million metric tons would not be feasible unless and until Japan can obtain coal shipments from North China.

Outlook for Steel Industry

A leading Japanese steel industrialist opines that Japan should import steel making materials and produce thus steel without resorting to blast furnaces. His views, in short, are:—

Supposing the domestic pig iron production remaining unchanged we would need only to import 2 million tons of pig iron (party replaceable with steel scraps) in order to manufacture finished steel. Imports of caking coal would then be unnecessary. Until several years ago, steel was mainly manufactured from steel scraps from America and pig iron from India and America. In 1937, when 5,080 thousand tons of finished steel was manufactured, 985 thousand tons of pig iron and 2,420 thousand tons of steel scraps were imported.

Today, however, the possibilities of such imports are slim. In U.S.A., large steel plants were built on the Pacific Coast during the war. In India, too, steel plants, sufficiently matching her pig iron production capacity, were also established during the war. Even when a period of depression and over-production should set in, we could not possibly import any cheap pig iron and steel scraps. Instead, we would have to face keen competition from cheap finished steel supplied by these countries.

The future of Japan's iron and steel industry is not very promising. Unless some solution be found for raw material supplies, steel production could hardly maintain even half of the very restricted production proposed in the Pauley Plan. In view of the key position of the industry to other industries Japan's economic reconstruction can not be attained without the revival of this industry.

Japan's iron and steel industry has many advantages. The very geographical situation offers the industry an excellent position. China has both iron ore and coal in abundance. But the iron ore beds are mainly found in Central China, while coal is concentrated in North China. To bring them together requires costly inland transportation of over 800 miles. Malay and other South Sea areas have abundant iron ore, but they lack coal. Japan certainly lacks both iron ore and coal, but she is in a position to bring them together economically by sea. She occupies a position, which enables her, so to speak, to "assemble" the resources in East Asia. But in order to fully utilize these advantages and rebuild the industry, full understanding and aid by foreign capital is essential, not only in the matter of raw material imports, but also in the management of the industry.

The Unofficial Stock & Share Trading in Tokyo in 1947

Share quotations in off-mart transactions on the Tokyo Stock Exchange followed a contrasting trend in the first-half of 1947 as compared with the second-half. The monthly average quotation of 30 pivotals steadily increased during the first six months of the year, except for spasmodic slips in February and June.

From July, a reactionry recession set in. Except for a short-lived rally in September, stock quotations continued an unbroken downhill course until the year-end.

Until the close of the first-half of 1947, sky-rocketing prices proved a major stimulant to share prices, as business and industrial companies were able to realize large earnings through the elevation in the official prices of their manufactures that were produced with stocked raw materials purchased at low prices. The situation completely changed in the second-half, and prices continued soaring in the second-half of 1947. In July, official prices of key commodities and materials were raised under the new price program, and black market prices soared accordingly. Despite such encouraging factors, apparently more aggressive in nature

PHILIPPINE COMMERCIAL AND FINANCIAL REPORTS

REAL ESTATE AND BUILDING CONSTRUCTION

Real Estate Sales in Manila: total for the year 1940 Pesos 17.9 million, for 1941 P. 10.6 m., for 1946 P. 45.5 m., for 1947 P. 68.2 m.

Sales of real estate for the months Jan., Feb. and March 1948 respectively Pesos 3.6 m., 3.8 m., and 4.2 m.

Building Construction in Manila: total amount for the year 1936 Pesos 6.1 m., for the years 1937 through 1941 respectively Pesos (in millions) 7.5; 9.2; 9.0; 8.2; and 5.7.

In the postwar years of 1946 and 1947 resp. Pesos 47.5 m. and 73.9 m.

For the months of Jan., Feb. and March 1948 resp. Pesos 6.5 m., 6.8 m., and 7.5 m.

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than similar developments in the first-half of the year, sales of goods became extremely depressed, and monetary stringency in industrial and business circles grew strikingly acute. Production lagged far behind schedule due to the power shortage, far from attaining Government-set increase goals.

Various laws aiming at reducing or abolishing industrial and commercial monopolies, such as the Anti-Trust Law and the Economic Power Decentralization Law, further darkened the prospect of business and industrial corporations and damped the sentiment of stock investors. Thus, the stock market was forced to struggle under the multilateral pressure of adverse factors. Hence, even choice shares were compelled to dip, not speaking of issues of secondary importance.

Business at the Beginning of 1948

The major stimulant in early 1948 has been the general revival of respect for capital. Without capital being held in due consideration, there is little hope for accumulation of capital or reconstruction of industry. The Government has come to take note of this point. As of consequence, restrictions over dividends were abolished, while the tax on capital is expected to be lightened in the near future. Under the circumstances, a measure to stabilize respect for capital will be one of major policies under any Cabinet to be created in the future. The comfortable increase in the recent coal output was another stimulant, as it brightened the 1948 production outlook. The worker has become more conscious of the current economic difficulties of the nation and has come to attach more importance to production increase in preference to reckless disputes.

All these developments have combined to boost share prices in off-mart dealings on the Tokyo Stock Exchange since the turn of the year, heralding steady financial recovery.

The real estate market today is active, at sound investment prices. Except in a few strategic areas, land prices have increased since 1947 less than the prices of any other commodity.

The sharpest post-war increase was in the Quiapo area. This is explained by the fact that Quezon Avenue had been opened only shortly before the war, and a new set of values resulting from this improvement had not yet become established. Other highly desirable retail areas also show exceptional price advances.

In the remainder of the Greater Manila area, land prices have in general ranged between the 1941 figures and up to double these figures. Yet since 1941 the population of the metropolitan area has tripled, and there is a distinct shortage of desirable building sites and locations for business and services catering to this increased population.

The average increase in building costs is now 3.6 times 1941 costs. There is a gradual dropping of construction costs, but it does not seem likely that a normal post-war cost basis will be reached for another year or two. In all probability, when a normal price and supply situation is reached on construction materials, building costs will level off at about double the 1941 figures.

Residential rental construction has become negligible in recent months, in view of an executive order limiting housing rents to 12% of the assessed value. Despite this drop in residential rental construction, house rentals have eased considerably, due to the extensive construction of homes for owners' use. Owners have thereby released houses to renters.

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TRADE BY NATIONALITIES OF MERCHANTS

TOTAL TRADE OF THE PHILIPPINES FROM APRIL TO DECEMBER, 1947

(By NATIONALITIES)

The figures are based on the nationality of the controlling interest of Philippine and foreign firms as noted in import and export entries.

(in Philippine Pesos)

Nationality	*Total Trade*	*Percentage*
American	400,598,903	33.59
Chinese	399,610,057	33.51
Filipino	270,695,512	22.70
British	41,677,034	3.49
Spanish	35,227,641	2.95
Swiss	18,566,683	1.55
Indian British	9,635,100	.80
Syrian	6,767,568	.57
French	3,993,802	.33
Panaman	1,569,100	.13

Total trade for April—December 1947: 1,192,474,725 pesos.

IMPORTS OF THE PHILIPPINES FROM APRIL TO DECEMBER, 1947

Nationality	*Imports* (Pesos)	*Percentage*
Chinese	292,302,348	39.14
American	209,112,600	28.00
Filipino	175,388,120	23.48
British	25,241,998	3.38
Swiss	18,202,164	2.44
Indian British	7,587,132	1.01
Syrian	6,767,568	.91
Spanish	6,402,928	.86
Panaman	1,569,100	.21
French	1,468,770	.20

Total imports: 746,817,790 pesos.

EXPORTS OF THE PHILIPPINES FROM APRIL TO DECEMBER, 1947

Nationality	*Exports* (Pesos)	*Percentage*
American	191,485,303	42.97
Chinese	107,307,709	24.08
Filipino	95,307,392	21.38
Spanish	28,824,713	6.47
British	16,435,036	3.69
French	2,525,032	.57
Indian British	2,047,968	.46
Dutch	579,327	.13
Danish	558,670	.12
Swiss	363,919	.08

Total exports: 445,656,935 pesos.

COMPARATIVE BANKING STATISTICS

(In thousands of Pesos)

Loans, Discounts, and Advances (monthly average)

March 1948	Feb. 1948	March 1947
363,457	350,152	293,846

Total Bank Resources (monthly averages)

March 1948	Feb. 1948	March 1947
863,485	848,243	758,223

Bank Deposits (monthly averages) (Public funds not included)

March 1948	Feb. 1948	March 1947
423,548	400,954	381,935

Debits to Individual Accounts (monthly averages)

March 1948	Feb. 1948	March 1947
110,201	125,527	120,959

Circulation of Peso notes

March 1948	Feb. 1948	March 1947
783,967	798,462	688,276

PRINCIPAL EXPORTS IN MARCH

Exports of the most important commodities for March this year as compared with March, 1947, are as follows:

	1948 tons	1947 tons
Cigars	11	1
Desiccated Coconut	6,533	3,034
Coconut Oil	3,320	2,484
Copra	51,460	90,599
Copra Cake	4,459	1,280
Hemp (bales) ..	39,988	53,305
Logs and Lumber (board feet) ..	1,486,821	—
Ores	15,948	17,510
Rope	492	350
Tobacco	17	1,253
Sugar	23,218	—

HONGKONG'S IMPORTS & EXPORTS OF SELECTED COMMODITIES

— FOR THE MONTH OF APRIL, 1948 —

WOLFRAM ORE

Countries	Imports Quantity Piculs	Imports Value $	Exports Quantity Piculs	Exports Value $
United Kingdom	—	—	168	66,360
China, South	3,098	1,030,799	—	—
Italy	—	—	203	96,210
Korea	71	30,000	—	—
Macao	18	4,200	—	—
Sweden	—	—	168	67,200
U.S.A.	—	—	1,932	791,080
Total	3,187	1,064,999	2,471	1,020,850

ANTIMONY

Countries	Imports Quantity Piculs	Imports Value $	Exports Quantity Piculs	Exports Value $
India	—	—	3,555	599,209
New Zealand	—	—	212	36,120
China, South	4,998	753,202	—	—
Macao	35	7,000	—	—
U.S.A.	—	—	362	51,118
Total	5,033	760,202	4,129	686,447

TIN SLABS (OTHER THAN CHINA)

Countries	Imports Quantity Piculs	Imports Value $	Exports Quantity Piculs	Exports Value $
Malaya (British)	588	290,906	—	—
Total	588	290,906	—	—

BRISTLES

Countries	Imports Quantity Piculs	Imports Value $	Exports Quantity Piculs	Exports Value $
United Kingdom	—	—	267	271,338
Australia	—	—	74	113,328
China, North	25	7,975	—	—
„ South	236	83,984	—	—
France	—	—	99	107,292
Korea	42	45,600	—	—
U. S. A.	—	—	711	1,007,943
Total	303	137,559	1,151	1,499,901

RAW RUBBER

Countries	Imports Quantity Piculs	Imports Value $	Exports Quantity Piculs	Exports Value $
Malaya (British)	34,849	3,532,285	—	—
North Borneo	867	63,767	—	—
China, North	—	—	7,933	724,613
„ Middle	—	—	8,829	840,363
„ South	—	—	2,301	203,363
Egypt	—	—	3,360	337,680
French Indo China	3,452	331,874	—	—
Korea	—	—	2,101	204,344
Macao	540	49,536	254	16,490
Neth. East Indies	2,487	411,568	—	—
Total	42,195	4,389,030	24,778	2,326,882

TIN SLABS (CHINA)

Countries	Imports Quantity Piculs	Imports Value $	Exports Quantity Piculs	Exports Value $
United Kingdom	—	—	168	78,624
India	—	—	5,934	2,834,573
China, South	787	334,317	—	—
Macao	8	4,400	—	—
U.S.A.	—	—	753	304,374
Total	795	338,717	6,855	3,217,571

TINPLATES

Countries	Imports Quantity Piculs	Imports Value $	Exports Quantity Piculs	Exports Value $
United Kingdom	10,912	706,346	—	—
China, North	—	—	537	33,600
China, Middle	—	—	612	41,580
U.S.A.	10,750	523,646	—	—
Total	21,662	1,229,992	1,149	75,130

VEGETABLE AND ESSENTIAL OILS

Aniseed Oil

Countries	Imports Quantity Piculs	Imports Value $	Exports Quantity Piculs	Exports Value $
United Kingdom	—	—	247	127,227
Australia	—	—	12	6,419
Malaya (British)	—	—	47	23,625
Br. Empire, Other	—	—	9	4,850
China, South	205	98,990	—	—
France	—	—	249	127,249
Philippines	—	—	1	36
Switzerland	—	—	105	60,080
U.S.A.	—	—	32	15,908
Total	205	98,990	702	365,394

Cassia Oil

Countries	Imports Quantity Piculs	Imports Value $	Exports Quantity Piculs	Exports Value $
United Kingdom	—	—	9	10,430
Australia	—	—	2	1,650
China, South	153	139,050	—	—
France	—	—	3	3,150
U.S.A.	—	—	13	12,600
Tottl	153	139,050	27	27,830

Cocoanut Oil

Canada	—	—	840	110,880
Malaya (British)	19,311	2,732,234	—	—
North Borneo	300	43,195	—	—
China, North	—	—	210	26,150
China, Middle	—	—	1,580	210,334
China, South	—	—	701	82,563
Korea	—	—	504	85,950
Macao	—	—	434	61,123
Switzerland	—	—	2,436	338,440
U.S.A.	—	—	2,599	301,518
Others	—	—	500	76,650
Total	19,611	2,775,429	9,804	1,293,608

Linseed Oil

Countries	Imports Quantity Piculs	Imports Value $	Exports Quantity Piculs	Exports Value $
Malaya (British)	36	5,379	—	—
Macao	—	—	6	1,169
Philippines	—	—	31	2,500
Siam	—	—	164	30,985
Total	36	5,379	201	34,654

Peanut Oil

Countries	Imports Quantity Piculs	Imports Value $	Exports Quantity Piculs	Exports Value $
India	1,240	175,999	—	—
Malaya (British)	850	127,500	38	7,286
Belgium	—	—	180	17,100
Macao	1,550	224,168	—	—
Siam	1,426	260,561	—	—
Total	5,066	788,228	218	24,386

Sesamum Oil

Countries	Imports Quantity Piculs	Imports Value $	Exports Quantity Piculs	Exports Value $
Canada	—	—	4	875
Malaya (British)	—	—	31	8,452
South Africa	—	—	1	188
Macao	—	—	4	772
Neth. East Indies	—	—	2	437
Philippines	—	—	11	2,166
U. S. A.	—	—	42	11,674
Total	—	—	95	24,564

Tea Seed Oil

Countries	Imports Quantity Piculs	Imports Value $	Exports Quantity Piculs	Exports Value $
Malaya (British)	—	—	3	360
China, South	4,293	519,075	—	—
U. S. A.	—	—	2,934	491,619
Total	4,293	519,075	2,937	941,979

Wood Oil (in drums)

Countries	Imports Quantity Piculs	Imports Value $	Exports Quantity Piculs	Exports Value $
United Kiggdom	—	—	9,237	1,426,908
Australia	—	—	2,120	318,504
Canada	—	—	236	35,156
India	—	—	252	37,296
Malaya (British)	—	—	107	17,262
New Zealand	—	—	168	25,032
North Borneo	—	—	21	3,160
South Africa	—	—	336	52,000
Br. Empire, Other	—	—	84	12,432
Burma	120	16,800	—	—
China, South	21,129	2,844,146	—	—
France	—	—	2,940	501,750
Germany	—	—	1,680	250,000
Italy	—	—	17	2,654
Norway	—	—	1,435	207,621
Siam	—	—	42	6,020
Sweden	—	—	3,124	456,576
Finland	—	—	827	123,000
Total	21,249	2,860,946	22,626	3,475,371

Wood Oil (in bulk)

Countries	Imports Quantity Piculs	Imports Value $	Exports Quantity Piculs	Exports Value $
United Kingdom	—	—	4,994	771,969
China, South	1,487	117,510	—	—
U. S. A.	—	—	3,360	310,464
Total	1,487	117,510	8,354	1,082,433

Other oils from seeds, nuts & kernels

Countries	Imports Quantity Piculs	Imports Value $	Exports Quantity Piculs	Exports Value $
United Kingdom	67	15,636	—	—
China, South	853	128,099	—	—
Macao	9	2,700	204	13,211
Siam	120	16,800	—	—
Total	1,049	163,235	204	13,211

Hongkong Exports of "China Exports" in April 1948

During April a total of 513 export licences for China Exports were issued.

Quantities (in piculs of 133.33 lbs) of export licensed China Exports were:—

Antimony 8,099; Wolfram ore 420; Tin 3,925;
Wood oil 63,476; Rapeseed oil 5,031;
Bristles 1,295;
Tea 5,165;
Cotton Yarn 8,019.

Wolfram ore export licences include also ore imported here from Korea.

Tea export licences also include the re-export of tea from Ceylon.

SHANGHAI EXPORTS OF TEXTILES, HIDES & SKINS AND RELATED GOODS TO THE U.S.

Declared exports according to U.S. Consulate in Shanghai:—

Declared exports of textiles and related products from Shanghai to the United States in 1947 included (value in United States dollars in parentheses): Cotton waste, 14,010,811 pounds ($844,968); cotton lace, valued at $48,897; cotton embroideries, valued at $88,382; cotton rugs, 88,909 square feet ($8,369); cotton manufactures, all other, 8,180 pounds ($96,426); gunny-bag waste, 1,371,778 pounds ($35,745); linen embroideries, valued at $264,531; other linen hemp or ramie manufactures, 154,405 pounds ($37,409); cashmere, 253,293 pounds ($72,502), sheep's wool, 2,497,664 pounds ($425,133); goat wool, 10,309 pounds ($7,668); wool carpets and rugs, 41,149 square feet ($38,840); other wool manufactures, 83,336 pounds ($213,751); human hair, 79,454 pounds ($35,592); hairnets, 129.-647 gross ($413,803); horsehair, 135,532 pounds ($13,380); goat hair, 595,261 pounds ($48,167) ; yak hair, 3,490 pounds ($12,096); all other hair, 7,751 pounds ($1,025); raw silk, 323,966 pounds ($1,721,002); silk waste, 22,624 pounds ($5,280); silk pongee, 7,213 yards ($44,352); silk piece goods, 16,715 yards ($30,040); silk wearing apparel, 82,170, number ($4,869); silk embroideries, valued at $41,124; other silk manufactures, 666 pounds ($1,770); strawbraids, 2,688,700 yards ($11,387); straw hats, sisal, ramie, and buntal fiber, 219,592, number ($1,584,313); harvest hats (rush), 625 ($1,689); all other straw or other fiber hats and materials, 22,300, number ($12,808); fiber mats and rugs, 22,524, number ($2,480); grass cloth, 8,850 pounds ($15,039); kolinsky (furs), 39,086 pieces ($77,450); lamb, kid, sheep, and goat skins, 24,804 pieces ($23,613); marmot, 2,600 pieces ($1,500); mink, 15,000 pieces ($29,085); rabbit and hare, 896,-

560 pieces ($87,388); weasel, 847,678 pieces ($1,168,227); lamb and kid plates, 69,000 pieces ($243,526); feathers, 1,898,028 pounds ($880,408).

HONGKONG EXPORTS TO U.S. OF CASSIA OIL, HO OIL AND MUSK

Declared exports of cassia oil from Hongkong to the United States during January 1948 totalled 4,200 pounds, valued at $7,085, In the same month, declared exports of ho oil to the United States amounted to 256 pounds, with a value of $235.

In January 1948, declared exports of musk from Hongkong to the United States were 11 pounds, valued at $2,112. (All values in United States currency).

CHINESE EXPORTS FROM PEIPING, TSINGTAO AND CANTON TO THE U.S.

Declared exports according to U.S. Consulates in China:—

Declared exports from Peiping to the United States from August to November 1947, included (value in U.S. dollars in parentheses): Kolinsky, undressed, 7,200 pieces ($13,462); laska skins, undressed, 10,000 pieces ($8,000); kid skins, plates, 3,820 pieces ($22,555); oriental carpets, 25,670¾ square feet ($15,632); hair, badger, dressed, 177,149 pounds ($3,987); silk woven fabrics, 311 yards ($350)

Declared exports from Tsingtao to the United States during January 1948 (quantity for January 1947 in parentheses), included: Rugs, 242 square feet (none); human hair nets, 44,795 gross (16,625); nylon nets, 79 gross (97); strawbraids, 302,400 yards (172,800).

During January 1948, the following textile manufactures were exported from Canton, to the United States (value in U.S. dollars in parentheses): Cotton handkerchiefs, 575 dozen ($1,507); cotton handkerchiefs, embroidered, 1.177 dozen ($3,238); cotton laces, 439 pounds ($2,107); linen handkerchiefs, 3,867 dozen ($6,333); linen handkerchiefs, embroidered, 22,351 dozen ($51,430); tablewares, linen, embroidered, 527 pounds ($3,850).

CHINESE PEPPERMINT OIL & MENTHOL SITUATION

On the basis of preliminary estimates, the 1948 production of menthol in China may surpass the 50,000-pound total recorded for 1947, but exports exceeding 200,000 pounds seem unlikely. Dementholized peppermint-oil shipments are unpredictable in view of the increasing domestic consumption and the dependence of China upon European markets for foreign sales of this commodity. Export prices of menthol and peppermint oil will depend upon the maintenance of favourable exchange rates, with the added possibility that speculators may acquire and hold large stocks of menthol if a world shortage becomes apparent.

Current trade estimates place the volume of accessible crude peppermint oil from the 1947 harvests in China at 300,000 lbs which should permit the manufacture in 1948 of probably 150,000 lbs of menthol. This figure appears, however, high because last autumn merchant opinion was not confident that more than 300 cases (18,000 lbs) of menthol could be produced in 1948. The delivery of 300,000 pounds of the crude oil to manufacturers is dependent upon curbing inflation or the success of the factories in bartering cotton cloth or other staple commodities for oil. Output of menthol in 1947 amounted to only 50,000 pounds.

Orderly collections of crude peppermint oil in China have been impossible since VJ-Day, on account of transportation difficulties, the large producing areas in Communist-held territory, and the tendency of farmers to hoard their crude oil in preference to sale for a rapidly depreciating Chinese National currency. Thus stocks from the 1947 crop were not delivered in any appreciable quantity to the Shanghai factories.

In Shanghai, menthol crystals were held during 1947 as a hedge against inflation. At least 1,000 cases (60,000 pounds) of menthol crystals were in 1947 being held. About 250 cases of the total were reportedly held by the industry and legitimate traders, and the rest by hoarders. Since exports during 1947 were far in excess of that year's production, at least part of the holdings are returning to regular trade channels.

Exports of dementholized peppermint oil from China are not listed officially, but trade sources place the 1947 total at about 75,000 pounds, chiefly, to European ports. Menthol exports in 1947 amounted to over 65,000 kilograms.

In 1940 Shanghai, the center of the peppermint-oil and menthol industry, had more than 20 factories manufacturing menthol and its byproduct, dementholized peppermint oil. Peak production was about 1,500,000 pounds of menthol and 350,000 pounds of dementholized peppermint oil. By 1946, 6 factories had resumed part-time operations. Only 2 plants remained in operation in 1947. Their combined output of menthol amounted to 50,000 pounds during the entire year. It is expected that if the 1947 crop expectations are realized, other factories will open for short periods during 1948.

Exports of peppermint oil to the United States from China realized from US$3.85 to $7.50 per pound, while rates for menthol crystals per pound varied between US$7.40 and US$25.00.

The lack of export markets and the necessity of utilizing land for the production of foodstuffs practically eliminated cultivation of peppermint during the war. Postwar planting has not been resumed on the previous scale, since output of foodstuffs is more profitable. Furthermore, many of the areas suitable for the cultivation of peppermint are in Communist-occupied territory.

The two factories which remained in production throughout 1947 made crop loans to farmers to increase output and thus assure themselves of at least limited stocks of crude oil in 1948. In view of the high interest rates (20 percent or more each month), and the weak financial position of the factories, the loans are expected to have little effect upon the production total. Increases in acreage devoted to peppermint in the next few seasons are expected to be nominal unless production is stimulated by Government loans to farmers. The need for food may preclude this assistance to a secondary crop.

CHINESE EXPORT PRODUCTS

CHINAWARE

Chinaware, like porcelain, differs from inferior pottery in being semi-transparent, the degree of transparency being best judged by examining the thin edges. It usually has a somewhat earthy appearance on the fractured edge, and is less cold to the touch than hard porcelain.

Chinaware, which is in reality a kind of soft porcelain, is made from kaolin, with the addition of "ball" or "pottery" clay (a white-burning clay which adds plasticity), bone ash, calcined flint, and feldspathic material. The glass-forming materials are added to the plastic clay in definite proportion, thereby causing the clay to require no excessive heat in firing; the crude materials have to be mixed in such proportions that the mass may be easily moulded and worked, easily fired, and easily decorated. By varying the proportions of glass-forming material, chinaware of almost any degree of porosity and translucency may be obtained.

The materials to be used are ground in water until they form a pasty mass, which is then passed through sieves, pressed, worked, and moulded (either by a potter's wheel or in a mould of the required shape), after which it is dried and then fired at a moderate temperature.

It is next decorated, if required, and again fired, the colours used, as a rule, being metallic oxides. The glazing process is usually carried out by immersing the articles in a lead-boric-acid glass solution and then again firing them at a somewhat lower temperature than the first firing, the glaze produced being not as hard as that given to porcelain.

Chinaware contracts considerably in the firing process, and this often results in mishaped, warped, or otherwise defective pieces. In chinaware of good quality the pieces are of perfect shape and show no sign of warping, lumps, depressions, rough places, or other defects; the decoration, when there is any, is perfect, and the colours are even, clear, and pure. The whiteness of good chinaware, like that of high-grade porcelain, intensifies with age.

Chinese chinaware is exported chiefly from Kiukiang and Swatow, also from Shanghai, Canton, and various other ports. That exported from Kiukiang, commonly known as "Kiukiang chinaware," is made at Ching-te-chen on the Ch'ang River, in Kiangsi province, a place which for ages past has been celebrated for its chinaware and porcelain and to which merchants from all over China still go to buy pottery. The clay (kaolin) from which this chinaware is made comes from Jao-chou-fu and the neighbouring districts and, in its natural state, is in the form of a soft, whitish stone, which, before being used, is first washed, then beaten to a powder, made into a paste, and well kneaded. The chinaware or porcelain made at Ching-te-chen at the present time varies considerably in quality, and, while very high-grade products are still made there, the bulk of the chinaware produced is not of such a high grade as that manufactured in former times.

* * * *

PORCELAIN

Porcelain is a more or less translucent product very similar to chinaware, but harder than either chinaware or glass, and considered to be rather colder to the touch than chinaware; it has a specific gravity of 2.1 to 2.5 and usually exhibits a somewhat vitreous appearance on the fractured surface.

Porcelain is made chiefly from kaolin, enough quartz, feldspar, and other material being added to make the clay sufficiently plastic to be readily manipulated and moulded. The raw materials are prepared for use by being finely powdered, washed, purified, sifted, mixed, kneaded into a paste, and then kept for several months.

The articles are mostly shaped on a potter's wheel or in prepared moulds and are afterwards "fired" in kilns at a very high temperature, much higher than that used in firing ordinary chinaware; they are then decorated, if required, and are afterwards glazed with almost pure feldspar, to which a little quartz and lime are sometimes added; the decoration is sometimes done over, instead of under, the glaze, and both the colours and the glaze are rendered permanent by further firing processes.

After the first firing, and before being glazed, porcelain is known as "bis-

HONGKONG'S TRADE FOR APRIL AND FOR THE FIRST FOUR MONTHS OF 1948.

NOTE:—Owing to misplacement of the trade figures as published in our last week's issue, on pages 520/21, the full returns for the month of April and for the period January to April 1948 are re-published. (The error in last issue of this Review occurred when the columns of figures following "Yarns and thread" were set under the wrong heading.)

TOTAL VALUES OF IMPORTS & EXPORTS BY CHAPTERS

Articles	For April 1948		For January to April 1948	
	Imports	Exports	Imports	Exports
	$	$	$	$
Live animals, chiefly for food	2,031,633	4,190	9,031,916	14,383
Meat & preparations thereof	235,941	440,641	902,514	3,953,263
Dairy products, eggs & honey	2,937,623	3,218,523	9·250,519	10,350,244
Fishery products, for food	4,310,315	1,690,850	14,015,576	5,890·513
Cereals	19,573,241	85,753	60·177,668	367,513
Manufactured products of cereals, chiefly for human food	5,831,284	2,529,194	13,271,205	5,995,092
Fruits & nuts, except oil-nuts	2,934,615	2,771,122	9,419,889	9,113.913
Vegetables, roots and tubers, chiefly used for human food and their preparations, n.e.s.	5,048·204	6,348,389	18,357,119	23,448,610
Sugar & sugar confectionery	3,040,726	3,090,379	17,393,271	6,030,069
Coffee, tea, cocoa & preparations thereof; spices	1,015,912	1,278,546	4·628,850	4,020,269
Beverages & vinegars	1,235,353	747,219	4,065,060	2,508,929
Feeding stuffs for animals. n.e.s.	38,839	29,077	116,071	137,739
Tobacco	3,110,294	1,632,948	13·044,124	8,264,560
Oil-seeds, nuts & kernels	1,104,221	350,898	3,759,127	1,390,155
Animal & vegetable oils, fats, greases & waxes & their manufactures, n.e.s.	8,737,283	7,821,553	40·255,229	49,430,276
Chemical elements & compounds; pharmaceutical products	7,155,680	5,069,789	26,763,195	14,818,332
Dyeing, tanning & colouring substances (not including crude materials)	10,939,998	4,087,327	36,728,281	11·998,713
Essential oils, perfumery, cosmetics, soaps & related products	1,388,526	1,190,838	3,945,886	5,056,643
Fertilizers	987,519	593,859	3,126·335	2,368,010
Rubber & manufactures thereof, n.e.s.	5,838,347	3,283,024	10,375,494	6,722,794
Wood, cork & manufactures thereof	4,317,024	592,433	13,364,320	2,120,701
Pulp, paper & cardboard & manufactures thereof	10,204,148	6,967,166	31,699,059	17,433,280
Hides & skins & leather	1,407,395	1,540,514	5,146,599	5,809,742

Articles	For April 1948 Imports $	For April 1948 Exports $	For January to April 1943 Imports $	For January to April 1943 Exports $
Manufactures of leather, not including articles of clothing	18,169	462,825	137,710	1·276,005
Furs, not made up	252,500	337,438	559,014	688,881
Textile materials, raw or simply prepared	1,590,587	1,627,824	4,920,675	6,497,934
Yarns & thread	6,734,567	2,611·358	33,478,788	13,439,927
Textile fabrics & small wares	15,587,395	17,111,083	44,136,098	59,219,676
Special & technical textile articles	620,192	312,321	1,968,900	1,125,953
Clothing & underwear of textile materials; hats of all materials	1,783,085	5,549·736	6,016,086	17,337,063
Clothing of leather & fur	853	——	67,845	88,754
Footwear, boots, shoes & slippers	73,145	3,438,150	351,031	7,065,838
Made-up articles of textile materials other than clothing	1,115,613	3,991,060	4,193,647	9,543,486
Products for heating, lighting & power, lubricants & related products	14,205,314	9,146,010	43,249·035	28,868,070
Non-metallic minerals, crude or simply prepared, n.e.s.	1,608,624	531,924	7,125,584	1·912,431
Pottery & other clay products	829,733	931,415	2,717,680	2,455,972
Glass & glassware	931,940	1,128,386	3,870,632	2,691,823
Manufactures of non-metallic minerals, n.e.s.	365,738	102,138	1,168,195	318,098
Precious metals & precious stones, pearls & articles made of these materials	558,677	186,872	1,051,350	822,742
Ores, slag, cinder	1,909,781	1,787,539	8,685·647	7,157,749
Iron & steel	8,093,991	2,173,721	19,996,681	6,547,956
Non-ferrous base metals	2,158,337	4,595,181	10,310·654	8,633,118
Manufactures of base metals, n.e.s.	4,560,048	7,023,284	13,273,823	22,669,892
Machinery, apparatus & appliances n.e.s., other than electrical	2,582,777	433,038	13,870·852	1,983,187
Electrical machinery, apparatus & appliances	1,667,585	1,118,867	6,569,725	4,118,979
Vehicles & transport equipment, n.e.s.	3,608,519	1,630,974	11,510,723	9·697,452
Miscellaneous crude or simply prepared products, n.e.s.	4,034,993	7,071,751	13,409,396	21,165,850
Manufactured articles, n.e.s.	10,572·498	9,645,561	28,972,295	20,381,911
Total Merchandise	188,888,782	138,312,688	630,449,373	458,952,291
Gold & specie	14,592	281,469	14,592	5,504,857
Grand Total	188,903,374	138,594,157	630,463,965	454,457,148

cuitware." The firing process has to be very carefully and skilfully conducted, or the whole kilnful of articles may be spoiled; the exact temperature required and the length of time the porcelain should be kept in the kiln can be learned only by experience.

The quality of porcelain is also affected by the care used in preparing the raw materials; when these are perfectly pure and carefully prepared, the whiteness of the finished product intensifies with age.

Most of the porcelain made in China is manufactured at Ching-te-chen in Kiangsi province, where the porcelain industry has centred since the Ming dynasty. The crude kaolin, which is obtained chiefly in the district of Jao-chou-fu or Chi-men-hsien in Anhwei, is first purified to a certain extent at the place of origin by being repeatedly pounded, kneaded, and washed; it is then made into bricks or cakes and sent to Ching-te-chen, where it is very carefully pulverised, washed, strained, pressed, and dried before it is considered fit for use.

In making Chinese porcelain the clay is mixed with water until the correct degree of plasticity has been obtained; the articles required are then shaped by various methods, round pieces being shaped on the potter's wheel, square or fancy pieces being formed either by moulds or by knives, and then smoothed with a wet brush, after which they are placed in the kiln, the base of the article downwards.

Each of the different stages in the process of preparing the clay, modelling, painting or decorating, glazing or enamelling, and firing the articles is carried on by experts in the particular branch of the industry. The glaze is applied either with a brush, by dipping the article in the glaze, or by blowing the prepared glazing material through bamboo tubes, the end of which is covered with muslin or gauze.

The manufacture of the long-celebrated Chinese porcelain has gradually developed from that of earthenware, a product which is referred to by a Chinese writer who lived as long ago as 2,700 B.C. Specimens of the products of those early ages are still in existence, although now scarce, but examples of pottery made during the Chin dynasty (246 to 206 B.C.), consisting mainly of the ends of tiles bearing various characters and designs, as well as specimens of the bricks and pottery of the Han dynasty (202 B.C. to A.D. 190) are fairly plentiful.

* * *

GRASSCLOTH

The term "grasscloth" is used to describe a fabric made in China from the fibres of different plants, chiefly from ramie or China grass, hemp, pine-apple fibre, or from a mixture of any or all of these fibres. The finest qualities are produced in South China, particularly near Canton and in the Swatow district; coarser qualities usually come from Central China. Large amounts of grasscloth are exported from Kiukiang, Swatow, Chungking, Shanghai, and various other ports, mostly to Hongkong, Singapore, Japan and Korea.

Grasscloth varies considerably both in texture and in fineness, the very coarse qualities forming a rough, hard, yellowish cloth, while some of the finer qualities are equally as fine as high-grade Irish linen; the tendency in recent years has been to increase the output of higher qualities.

Grasscloth is bleached perfectly white by being boiled in water to which a little alkali has been added and by being afterwards spread on the grass and exposed to the rays of the sun for an extended period; the cloth is repeatedly dampened during the drying process. On account of its coolness, whiteness, and wearing qualities, grasscloth is extensively used for making summer clothing; it is also used for making handkerchiefs, embroidery work, etc.

* * *

MATTING

Chinese straw matting, produced in Kwangtung province, has long been celebrated for use as a floor covering on account of its cheapness, coolness durability, and unsurpassed quality. It is made from the stems of Arundo mitis, a kind of reed which grows extensively in the Tung-kun district near Canton and in the Lo-ting district.

The raw materials, which is sometimes called "sea-grass" and used for making chairs, etc., curls or twists when dried after having been soaked in water. The raw material is naturally of a greenish white colour, but is usually dyed before being woven, aniline dyes being used for the lower grades and native dyes for the better qualities.

The red colour is produced by sapanwood; the yellow, by the immature flower buds of Sophora japonica; the black or dark blue, by sulphate of iron, etc. The matting is made in the natural colour, with a plain design, or in various fancy or checked patterns; it is all hand-made and is woven by a very simple and primitive but very effective form of hand loom, which it has been found impossible to replace by modern machinery.

The warp thread usually consists of coarse hemp. The straw or reed, which is almost triangular in section, is split, wetted, and then woven while still damp and pliable, usually into 2-yard lengths, 20 of which are afterwards joined together by seaming, thus forming one piece or roll measuring 40 yards by 36 inches, the standard size; the matting is afterwards dried and stretched.

Much of the matting made in China is made from single straw, but near Canton, to which district most of the raw material is taken to be converted into matting, a variety is made from twisted straw, two straws being twisted together by means of a treadle machine.

Generally speaking, Chinese matting is of fairly regular quality, no matter in which district it is produced, but the best grades are usually made at Tungkun, on the East river, medium qualities in or near Canton (the centre of the trade); and rather lower grades at Lin-tan, in the Lo-ting district, a place which formerly turned out the highest quality of matting. Hundreds of thousands of rolls were exported annually from South China, mostly to the United States.

A good grade of straw matting, very similar to that produced in South China is exported from Haiphong. Japanese straw matting, made from a much thinner straw than the Chinese product, is considerably inferior to Cantonese matting.